Weekend FT
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Les paysans under threat Page I

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Five-star Egypt – just name your price Page XVI

Russian politics
Chernomyrdin and the reformers Page 6

FINANCIAL TIMES

Europe's Business Newspaper WEEKEND JANUARY 22/JANUARY 23 1994

Moscow signals shift away from fast-track reform

Prime Minister Victor Chernomyrdin launched his new government with a solemn pledge to support Russia's ailing industries, lending weight to claims by outgoing finance minister Boris Fyodorov that Russia was abandoning fiscal discipline. "The mechanical transfer of western economic methods to Russian soil has caused more harm than good," Mr Chernomyrdin was quoted as saying. Page 22

Lloyd's settlement recedes: Prospects of an immediate settlement to the legal actions plaguing Lloyd's of London faded further when loss-making Names on the Feltrim syndicates voted overwhelmingly to reject the insurance market's £900m offer. Page 22

M&G investors rebel: Some institutional investors in M&G Group, the UK's largest independent unit trust company, said they intend to vote against a proposed executive share option scheme which they say violates some corporate governance principles. The move is a potential embarrassment to M&G. Page 22

Sun editor moving to television

Kelvin MacKenzie (left) is turning his back on tabloid newspapers after 13 years as editor of The Sun to be managing director of British Sky Broadcasting. Stuart Higgins, acting editor of the News of the World since December, will become only the third editor of the Sun since its relaunch by Rupert Murdoch. Page 4

Major answers Sinn Féin: British prime minister John Major told Sinn Féin president Gerry Adams that there could be no renegotiation of the Downing Street Declaration on Northern Ireland. Page 5

Belgian ministers quit: Belgium's biggest political scandal claimed its first three ministerial victims, including deputy prime minister Guy Coëme, who resigned under mounting political and media pressure. Page 2

Arms-to-Iraq inquiry: Trade and industry secretary Michael Heseltine asked civil servants to draft parliamentary replies over the arms-for-Iraq affair with the primary aim of protecting the government from further embarrassment on the issue, the Scott inquiry heard. Page 5

Japan's record surplus: Japan's trade surplus rose to a record £81.3bn in 1993, 15.5 per cent higher than forecast and up 13.6 per cent on 1992. The news will provide the US with further ammunition in its efforts to persuade Japan to open its markets. Page 3

President's son killed: Bassel al-Assad, 33, eldest son of President Hafez al-Assad and widely assumed to be the Syrian leader's political heir, died in a car crash. Page 2

Caterpillar shares surge: Shares in Caterpillar, the US heavy plant and machinery maker, continued their upward surge by adding $3 to $97 as the company reported another quarter of strong financial recovery. Page 9; Union derecognition, Page 4

Westinghouse warning: Michael Jordan, chairman of Westinghouse Electric, repeated warnings of weak earnings by the troubled US conglomerate in the first quarter of this year. Page 9

Swedish forestry sell-off: Sweden launched its biggest ever privatisation, saying it hoped to raise up to SKr7bn ($860m) from the sale of a 49 per cent stake in the state forestry group. Page 9

Township murders: Gunmen killed three men and two women in a packed minibus in the black township of Vosloorus, near Johannesburg.

Video nasties: Moves to ban films containing gratuitous violence from UK video shops were intensified at Westminster. Liberal Democrat David Alton said he would like the reform – backed by 100 MPs of all parties – included in the Criminal Justice Bill now before the Commons.

Oginga Odinga dies: Jaramogi Oginga Odinga, the grand old man of Kenyan politics, died aged 82. Obituary, Page 2

■ STOCK MARKET INDICES

FT-SE 100:	3,484.2	(+14.2)
Yield	3.38	
FT-SE Eurotrack 100	1,471.66	(-4.29)
FT-SE-A All-Share	1,743.65	(+0.3%)
Nikkei	19,307.43	(+123.51)
New York: lunchtime		
Dow Jones Ind Ave	3,901.25	(+9.29)
S&P Composite	473.94	(-1.04)

■ US LUNCHTIME RATES

Federal Funds:	2⅞%
3-mo Treas Bills: Yld	3.003%
Long Bond	99$\frac{1}{16}$
Yield	6.287%

■ LONDON MONEY

3-mo Interbank	5$\frac{7}{16}$%	(5⅓%)
Liffe long gilt future:	Mar 119⅝	(Mar 119$\frac{13}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$13.83	(13.65)

■ Gold

New York Comex (Feb)	$381.7	(387.9)
London	$385.25	(392.3)

■ STERLING

New York lunchtime:		
$	1.496	
London:		
$	1.495	(1.4996)
DM	2.6122	(2.6029)
FFr	8.8697	(8.8645)
SFr	2.1913	(2.1804)
Y	166.253	(167.215)
£ Index	82.6	(82.7)

■ DOLLAR

New York lunchtime:		
DM	1.74755	
FFr	5.9335	
SFr	1.4633	
Y	111.17	
London:		
DM	1.7474	(1.7358)
FFr	5.9331	(5.9114)
SFr	1.4658	(1.454)
Y	111.21	(111.51)
$ Index	67.4	(67.3)

Tokyo close Y 111.3

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GDP up 2%, first calendar year rise since 1990 ■ Market surges on boost for recovery

Economic growth outpaces forecast

By Philip Coggan, Economics Correspondent

Building societies hit by £121m net outflow ....Page 5
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The UK economy grew faster than the government forecast last year, adding weight to the Chancellor's view that the recovery is strengthening. The figures came at the end of a week of conflicting economic indicators.

Gross domestic product increased by 2 per cent in 1993, the first calendar year rise since 1990, according to preliminary estimates published by the Central Statistical Office. GDP growth, which accelerated in the fourth quarter, was above the 1.25 per cent forecast by the government in March and 1.75 per cent predicted in Chancellor Kenneth Clarke's November Budget.

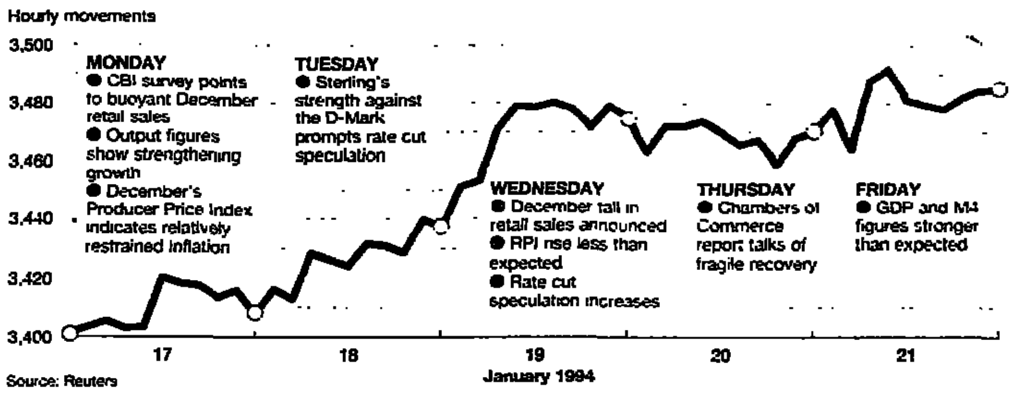
Evidence of economic strength appeared to please the stock market yesterday, although this week it has risen on hopes that a weakening recovery would lead to lower interest rates. The FT-SE 100 index came close to topping 3500, reaching an all-time intra-day high of 3496.1. Although it fell back, the index still rose 14.2 points on the day, ending at a record close of 3484.2. This week the index gained 83.6 points or just under 2.5 per cent.

The GDP statistics, allied with reports of stronger-than-expected money supply growth, were among positive indicators this week, countering a slight fall in December's retail sales, and a British Chambers of Commerce report, which had both indicated that recovery might be faltering.

However, Mr Clarke said yesterday: "Two per cent growth in 1993 will be the envy of every major country in Western Europe; I trust we can do better in 1994 and that we will achieve 2½ per cent at least."

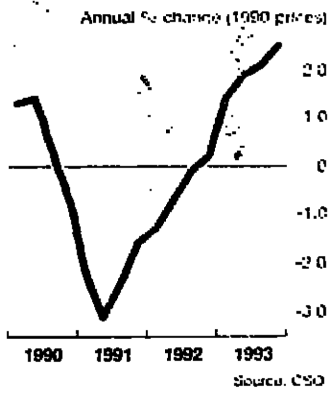
Total GDP rose by a seasonally-adjusted 0.7 per cent in the fourth quarter of 1993, the seventh consecutive quarter of economic growth. The overall increase since the fourth quarter is 2.5 per cent, slightly up on analysts' expectations. The rise

The FT-SE 100's turbulent week ends at record high



Source: Reuters

GDP growth



Source: CSO

means that GDP has climbed 3.3 per cent since the trough in the first quarter of 1992 and is finally back to the average level for 1990, when the recession began.

Economic output was boosted by a strong performance from the oil and gas sector. If oil and gas are excluded, then GDP rose just 0.5 per cent in the fourth quarter, making it 2.1 per cent up on the same period of 1992. Non-oil GDP in 1993 was 1.8 per cent higher than in 1992, but has not hit pre-recessionary levels.

Growth was fairly broadly spread, the CSO indicated, the main exceptions being agriculture, depressed because of the European Union's set-aside policy, and construction, which was flat. Services are still performing more strongly than manufacturing: total service output is now 1 per cent above the previous peak in the second quarter of 1990.

Further evidence of growth was provided by M4, the broadest money supply measure, which rose by a seasonally adjusted 0.7 per cent in December, bringing the annual rate up to 5.5 per cent, from 4.9 per cent in November. The figures indicate that money supply growth is accelerating: the annualised rise in the three months to December is 9 per cent.

Sterling lending by banks and building societies to the private sector, M4 lending, rose sharply to £4.1bn in December, compared with £550m in November. The year-on-year growth in M4 lending was 3.6 per cent in December, up from 3 per cent in November.

Mortgage lending by building societies fell back in December. Net advances declined to £624m, from November's £800m, while net new commitments fell to £2.09bn from £2.78bn.

PM backs CrossRail despite Treasury opposition

By James Blitz and Charles Batchelor

The prime minister has decided to push ahead with plans for the building of CrossRail, the £2bn east-west railway link underneath central London.

It is understood that Mr John Major overruled an attempt by Mr Michael Portillo, the chief secretary to the Treasury, to block the project. Mr Major and a group of senior ministers decided to back – and even extend – plans to build the CrossRail link, central London's biggest public transport project since the Victoria Line opened 25 years ago.

The project would enable passengers travelling on suburban trains into British Rail's Paddington and Liverpool Street stations to reach the West End and the City without having to change to the Underground system.

However, ministers say that Mr Portillo and some Treasury officials raised heavy objections to the project, which would be jointly funded by the public and private sectors. The exchequer's share of the cost would be about £1bn.

It is understood that Mr Portillo argued at a meeting on Thursday that the project should be deferred because of cost. He also backed suggestions that commuter congestion in London might be relieved more cheaply by developing existing Underground stations.

But the meeting, which was attended by Mr John MacGregor, the transport secretary and Mr John Gummer, the environment secretary, overruled this view and decided to allow the CrossRail construction plans to be examined at a committee stage of the House of Commons on Tuesday.

It was also agreed to allow contractors to link the line to six London stations, one more than at first envisaged. The additional station is Holborn. The CrossRail line will pass from Paddington in west London to Liverpool Street in the east.

The decision to push ahead with the project was warmly welcomed yesterday by London First, a business-led initiative to promote London. Mr Stephen

Continued on Page 22

Hosokawa: may have to agree to the less radical alternative Reuter

Hosokawa reforms fail to win backing

By William Dawkins in Tokyo

Japan was plunged into political uncertainty yesterday when government plans to reform the electoral system and curb corruption failed to win a majority in the upper house of parliament.

The setback, after an unexpectedly large number of defections from the ruling coalition, means Mr Morihiro Hosokawa, the prime minister, may now have little option but to agree to the less radical alternative to his four bills proposed by the opposition Liberal Democratic party.

Mr Tsutumo Hata, the foreign minister and leader of the coalition's second-largest party, said: "We're going to have to accept the opposition's plan. We can't let this run and run."

Failure to enact political reform would heighten public distrust of the political process and damage Japan's international image, said Mr Takeshi Nagano, president of the Nikkeiren employers' federation. Turmoil is expected next week on the Tokyo stock market, which had risen recently on hopes of government steps to boost the economy.

Mr Hosokawa said he would do his utmost to push a version of the four bills through parliament by the end of the present session, January 29. He plans to convene, early next week, a joint committee of the upper and lower houses of parliament to negotiate a deal. "I think there is room for compromise," he said.

But the chances of meeting the end of the month deadline are slim, meaning that Mr Hosokawa will come under pressure to resign should his reforms fail.

The vote is likely to provoke another realignment of political groups and delay economic measures urgently needed to pull Japan out of recession. Until yesterday, the government was planning to announce the measures early next week.

Business leaders voiced dismay, in spite of Mr Hosokawa's promise to publish the pump-priming measures "as quickly as possible."

The upper house vote was to have been the final stage before the bills became law after their adoption two months ago by the lower house.

However, 17 members of the

Continued on Page 22
Upper house vote astonishes ruling parties, Page 3
Back to basics, Page 7
Lex, Page 22

LWT attempt to ward off hostile Granada bid fails

By Raymond Snoddy and Diane Summers

London Weekend Television's attempt to attract a white knight to help it ward off the unwanted takeover bid from Granada has collapsed.

US West, the giant US telephone company and one of the largest cable operators in the UK, was interested in a stake of 29.9 per cent in the London ITV company – the largest amount possible without triggering a full bid.

Talks continued all week with the Takeover Panel in order to obtain permission for US West to formally approach LWT. The panel, it is understood, refused to clear the approach on the grounds that it would have constituted a concert party.

The news of the US West setback came as Mr Michael Heseltine, trade and industry secretary, yesterday postponed a decision on referral but said he "would expect it to be possible to resolve" concerns over the concentration of advertising sales without an MMC reference. It now looks unlikely the Granada bid will be referred to the Monopolies and Mergers Commission. Sir Christopher Bland, chairman of LWT (Holdings) declined to comment on the US West talks but said Granada's takeover bid would fail at the current price.

Mr Heseltine decision could also clear the way for the proposed acquisition by Carlton of Central. He has asked the Office of Fair Trading to ensure Carlton and Granada comply with certain conditions on selling advertising airtime. These could include the divestment of interests in advertising sales houses or a system of "Chinese walls" between different sales operations owned by the same company.

LWT said shareholders should urgently be given details of costs arising from any unscrambling of sales arrangements. Granada and Carlton were confident they would be able to comply with the conditions and that no referral would be necessary.

Mr Gerry Robinson, Granada chief executive, said: "In our view we will be able to satisfy the OFT." Carlton said it was confident that any undertakings would be consistent with its proposed acquisition.

Advertisers, who had feared that a concentration of advertising sales could force up prices and lead to "strings" being attached to deals, were also happy with the announcement.

Once the monopolies and mergers situation is clarified – Mr Heseltine said assurances must be given by January 28 – Granada is expected to improve its offer. The likely changes would be an improvement to the cash alternative now standing at 528p per share and paying a final dividend to LWT shareholders.

Austria Sch32, Bahrain Din1.250, Bermuda $1.65; Belgium BFr65, Canada C$1.40; China RMB24; Cyprus C£1.10, Czech Rep CZk50; Denmark DKr16.00, Egypt E£5.00; Finland Fmk14; France FFr9.00; Germany DM3.50, Greece Dr350, Hong Kong HK$18, Hungary Ft185; Iceland IKr215, India Rup60; Indonesia Rp4,050; Israel NIS6.90; Italy L3000; Japan Y500; Jordan JD1.50, Korea Won 3000; Kuwait Fils.625, Lebanon $US1.50; Luxembourg LFr65, Malaysia Rm4.80; Malta Lm0.60; Morocco Dh15.00, Nigeria Naira60.00; Netherlands Fl4.00; Norway NKr17.00; Oman OR1.50, Pakistan Rs40; Philippines Peso 50; Poland Zl 32,000, Portugal Esc225; Qatar QR13.00; S.Arabia Rls11.00; Singapore S$4.30, Slovak Rep KSL50; South Africa R12.00, Spain Pta225, Sri Lanka Rup30; Sweden SKr16.00; Switzerland SFr3.30; Taiwan NT$65; Thailand Bht50; Tunisia Din1.500; Turkey L10000; UAE Dh12.00; USA $1.25 (Alaska & Hawaii $1.75)

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Three Belgian ministers quit amid bribery allegations

By Andrew Hill in Liège, Belgium

Belgium's biggest political scandal yesterday claimed its first three ministerial victims, including the country's deputy prime minister, who resigned his post under mounting political and media pressure.

Mr Guy Coëme, who also held the communications portfolio, announced his resignation minutes before attending a parliamentary committee to reject allegations of forgery and illegal acts connected with the award of a government helicopter contract in 1988.

His announcement was quickly followed by the resignations of two other leading French-speaking socialists, Mr Guy Spitaels, head of the regional government of Wallonia, and Mr Guy Mathot, Walloon interior minister.

Mrs Véronique Ancia, a Liège magistrate, wants to interview the trio about allegations that bribes were promised to their party in return for awarding the BFr8bn (£150m) helicopter contract to Agusta, the Italian aircraft maker.

All three have denied any wrongdoing, but the affair had begun to undermine confidence in the government and take its toll on the Belgian currency and bonds. Analysts said yesterday that Mr Coëme's resignation was positive for the government in the short term. However, the national coalition of French- and Dutch-speaking Socialists and Christian Democrats will come under renewed pressure if the francophone Socialist party is weakened by further allegations.

In his resignation statement, Mr Coëme said he was "disgusted" by the way in which he had been "hounded" by the opposition and by the media, which had "fed on rumours, lies and slanders" and prevented him carrying out his ministerial duties. "I'm clear-headed enough not to want the government to suffer from this," he said, adding that his conscience was clear and his innocence would be proved.

Both Mr Spitaels and Mr Mathot reaffirmed their innocence yesterday, and said they regretted that the affair had become politically charged. The opposition Flemish Liberals in particular have been calling for resignations.

A special parliamentary committee last week lifted the immunity of Mr Spitaels, party leader until early 1992, and Mr Mathot. Mrs Ancia is likely to interview them next month. A separate committee yesterday began questioning Mr Coëme, who was defence minister at the time the contract was awarded. It has to decide whether to send him before Belgium's supreme court to explain his role in the affair. It was not clear yesterday how his resignation as a minister would affect the procedure.

Belgium's government faces two tests of electoral support this year at the European elections in June and in municipal elections in October.

Mrs Ancia's investigation centres on the Socialist stronghold of Liège in Wallonia, which stood to benefit most from the Agusta contract. Agusta itself has always denied involvement in illegal financial dealings.

Speaking yesterday before the resignations were announced, Mr Michel Daerden, president of the Liège regional Socialist party, conceded that only a clear outcome to Mrs Ancia's inquiries would end the suspicions of the public about party financing. But he added that he was afraid such clarity would not be achieved before the local elections.

Guy Coëme: "disgusted" but protested his innocence UPP

Russian MPs want end to Serb sanctions

By Robert Mauthner in London and Lionel Barber in Brussels

Russia's new parliament, in which communists, conservatives and extreme nationalists outnumber moderates, yesterday called for the lifting of sanctions against Serbia and opposed threatened Nato air strikes against the Bosnian Serbs.

The State Duma (parliament) passed a pro-Serb motion by 280 votes to two, warning that the use of force by the western powers would not only fail to end the war, but could raise the conflict to "a higher level of ferocity and confrontation".

Meanwhile, France and the United Nations mediator, Mr Thorvald Stoltenberg, yesterday followed the British government in staunchly defending Lord Owen, the European Union's representative in the deadlocked Bosnian peace talks, after the European Parliament demanded his removal.

The French Foreign Ministry said France, which has the largest contingent of peacekeeping troops in the former Yugoslavia, fully backed Lord Owen's efforts to negotiate a peace settlement between the three warring factions.

"He is acting with great perseverance in accordance with the directives of the European Union countries," the ministry said.

Mr Alain Juppé, the French foreign minister, was consulting his European colleagues by telephone on what steps to take after the latest failure of the Bosnian peace talks in Geneva and will review policy with Mr Warren Christopher, the US secretary of state, in Paris on Monday.

In a statement issued in Geneva, Mr Stoltenberg said that "nobody has put more effort or been more committed to finding peace in the former Yugoslavia, over a longer period than Lord Owen. He cannot be criticised for the situation that exists today."

Lord Owen admitted in London on Thursday it was "an open secret" that he wanted to quit, but said that he had no intention of abandoning his job while EU foreign ministers wanted him to stay on.

Mr Hans van den Broek, the European Commissioner for external affairs, has also distanced himself from the European Parliament's demand for Lord Owen's resignation, but called for a suspension of the international mediating efforts in Yugoslavia.

In a speech to the parliament in Strasbourg on Thursday, the former Dutch foreign minister said the real responsibility for policy on Bosnia lay with the European Union itself.

Since the conflict in Bosnia broke out two years ago, Mr van den Broek has urged the west to punish Serb aggression and to avoid forcing the Moslems to conclude a peace deal leaving them without a viable country.

Mr Malcolm Rifkind, the British defence secretary, in a radio interview in London, said there was no question of British troops being pulled out of Bosnia during the winter months. Nor was there any likelihood of Britain pulling out its forces unilaterally.

"What we are talking about is whether the UN as a whole should continue to be in Bosnia."

Laura Silber adds from Belgrade: Croatia yesterday announced the imminent restoration of telephone links with Serbia, cut off during the six-month war in 1991, following the agreement to normalise relations in this week's Geneva talks.

NEWS IN BRIEF

Brazilian scandal inquiry concludes

By Angus Foster in São Paulo

The committee investigating a corruption racket in Brazil's congress yesterday looked set to recommended the expulsion of at least 18 congressmen, including two of the country's most senior politicians.

The committee's report was also expected to highlight the role played in the scandal by eight construction companies. This is likely to add to pressure for a new inquiry into links between politicians and the companies, which are among Brazil's most powerful.

In an exhausting session which was set to last until late last night, and which was tinged by security fears in case any accused politicians reacted violently to the report's findings, the committee heard the final conclusions of three months of hearings.

The corruption scandal involved politicians taking "fees" in return for approving construction projects within the government's annual budget. The committee also traced other irregularities, including illegal campaign funding, from politicians' bank accounts.

The committee's findings will now be passed to the judiciary for further investigation and possible legal action. The proposed expulsion of the congressmen will be put to the vote in Congress, probably next month.

The latest scandal has been seen as a continuation of a political clean-up started by the ousting of former President Fernando Collor. Although it has won wide public backing, support for the inquiry has wavered in recent days amid accusations that some guilty politicians used their influence to avoid investigation, a claim dismissed by members of the committee yesterday.

India lifts investment ban

India is to let foreign companies invest in property development, relaxing a long-standing ban, writes Stefan Wagstyl from New Delhi.

The measure, the latest step in economic liberalisation, is aimed at attracting foreign capital into the construction industry. The cabinet decided on Thursday to allow foreign companies to invest in projects including building homes and offices, developing infrastructure, the production of building materials and housing finance.

ANC announces candidates

The African National Congress yesterday published its list of candidates for South Africa's first elections, topped predictably by Mr Nelson Mandela, writes Patti Waldmeir from Johannesburg.

Mr Cyril Ramaphosa, ANC chief constitutional negotiator, took second place on the list, strengthening his claim to be deputy president to Mr Mandela if the ANC wins the elections as expected. Mr Thabo Mbeki, who has up to now been tipped to fill this position, came third on the list.

The ultra-radical Winnie Mandela, Mr Mandela's estranged wife, was demoted to position number 31 on the 200-name list after an extended meeting of the ANC's national executive committee.

Bundesbank chief prescribes more belt-tightening

By Christopher Parkes in Frankfurt

Painful changes in German pay and public spending policies must continue for some years if economic growth is to be sustained, Mr Hans Tietmeyer, Bundesbank president, said yesterday.

"Cyclical recovery alone is not sufficient. The necessary corrections must be achieved in the medium term no matter how much they hurt," he said in a speech in Hamburg.

Speaking as wage negotiations started in Stuttgart on behalf of 3.5m public sector employees, he stressed it was not the task of monetary policy to "correct the mistakes and failings of others". Pay negotiators and politicians had made a start, but they would have to do more, he said.

The ÖTV public sector union yesterday formally tabled a claim for a 4 per cent award, offering to accept less in return for limits on job losses.

The employers, represented by federal and regional ministers, have for months warned that they want a "zero" settlement in the light of the spending restraint demanded by the Bundesbank. Indications from other settlements suggested that the result would depend on the negotiators' definition of "zero". Any award of less than 3 per cent – the expected inflation rate this year – would result in a real loss of earnings.

A recent deal in the chemicals industry, worth a nominal 1.5 per cent, was mirrored earlier this week in a similar settlement for paper workers. Analysts said anything more for public servants, many of whom are guaranteed jobs for life by their civil servant status, was unlikely.

While industrial union claims so far have focused as usual on percentage increases, employers have concentrated on trying to change working practices. The chemical union's acceptance of working times adjustable according to demand, and of below-basic pay for new hirings, has raised hopes of similar flexibility in other sectors.

At banking sector talks, which entered the second round yesterday, employers demanded more flexible working times and freedom for individuals to elect to work part-time.

Engineering employers want to adapt the incoming standard 35-hour week to allow employees to work between 30 and 40 hours according to market conditions. Although the powerful IG Metall engineering union this week threatened national warning strikes if employers continued to avoid discussing its claim for up to 6 per cent, industrial leaders were unmoved.

They appeared determined to exploit fears of unemployment caused by the lingering recession to press through change, despite signs that the low point has been passed. As Mr Tietmeyer noted yesterday, export demand in October and November last year was 7.5 per cent higher than a year earlier.

Fears of violence grow as quake victims wait for aid

By Louise Kehoe in San Francisco

Fears of violence were rising in Los Angeles yesterday amid desperate efforts to find shelter for the thousands of people who have camped in parks and open spaces since last Monday's early-morning earthquake.

"There has been incredible destruction of residential property," said Senator Diane Feinstein, who as mayor of San Francisco oversaw relief efforts for the 1989 earthquake there. "The destruction here is far more significant and long-range," she said.

Frustrations were rising as quake-weary victims complained about the lack of immediate assistance. Thousands stood in line outside emergency centres that opened on Thursday afternoon to distribute financial aid. Most received only an application form and an appointment to return days or even weeks later.

Another problem facing victims is the exorbitant prices that some stores are charging for basic necessities. "I had to pay $5 [£3.30] for a can of soup and $9 for a bag of charcoal," complained Mr Larry Chisom, a young man with a wife, baby and mother to support. Still without electricity and gas, he is cooking on a barbecue.

Others say that they have had to pay up to $10 for a gallon of water.

The city has established a telephone hot-line for consumer complaints, but Mr Chisom and his friends think there may be a better solution. "This is going to bring out criminal instincts. Those store owners will regret it," he said.

Although there has been remarkably little crime and only isolated reports of looting in Los Angeles, concerns are mounting about the potential for civil unrest in a city that was torn by riots two years ago.

At least 36,000 residents are without water and thousands of homes still have no electricity.

The death toll yesterday rose to 55. As victims continued to stream into hospitals the number of injured rose to 5,700, of whom about 700 sustained serious injuries.

Venezuela relaxes bank rules in wake of Banco Latino collapse

By Joseph Mann in Caracas

The Venezuelan government has moved to ease concerns that last week's failure of Banco Latino, the country's second-largest bank, could spark a widespread financial crisis.

The administration yesterday began introducing less stringent rules covering reserve requirements in the banking system, and offered broad financial assistance to banks suffering from temporary liquidity problems.

Some Venezuelan banks have had to cope with abnormally large withdrawals since Banco Latino was taken over by the government on January 16. Moreover, the bank's many subsidiary and affiliate financial institutions have suspended their operations. Latino's subsidiary bank in Florida declared bankruptcy on Thursday.

Rumours about problems at domestic banks have increased in recent days, provoking nervous withdrawals at several financial institutions.

Earlier this week the government announced that Banco Latino would re-open on January 28 to begin paying off depositors with small accounts. But it was far from clear if the bank would resume any other activities over the short term.

President Ramón Velásquez, announcing the banking measures on Thursday night, said that Mr Julio Santodomingo, formerly an executive with Banco de Venezuela, would head a four-member government-appointed board to run Banco Latino. A group of presidents from eight big banks would also work with the government to implement the bank's rescue programme.

The president also revealed that he had accepted the resignations of two key officials, the Superintendent of Banks, Mr Roger Urbina (who was appointed to take over Banco Latino only last Sunday), and the head of the government's deposit guarantee fund, Ms Esperanza Martino.

The resignations came after business people demanded to know why the president waited until it was too late to take action on Banco Latino, since his government knew about its problems for some time. Stung by the criticism, Mr Velásquez said he had to rely on information provided by Mr Urbina and other government figures.

Syrian president's son dies in car crash

By Mark Nicholson in Beirut

Bassel al-Assad, the eldest son of President Hafez al-Assad and widely assumed to be the Syrian leader's political heir, died yesterday in a car crash, according to an official statement from Damascus.

The statement announced the death "with deep grief and sadness" of the 33-year-old, the oldest of Mr Assad's four sons, in a "tragic accident".

Bassel, who was being groomed for a leading political role in Syria, graduated from Damascus University with an engineering degree in 1985. He spoke several languages and was an accomplished horseman, winning a gold medal at the 1987 Mediterranean games held in Lattakia, northern Syria. He also served as an army officer, training as a parachutist and reaching the rank of major.

However, despite his increasing appearances at the presidential palace from the mid-1980s, he is not thought to have held any central political responsibility within the Syrian regime. Many observers in Damascus believe that in the event of his succession to the presidency, real power would have resided elsewhere among senior military officers.

His death is certain to raise the awkward question of Mr Assad's succession, however, with the 63-year-old president far from perfect health.

OBITUARY

Odinga, fighter for Kenyan independence and democracy

Kenya has lost one of its few remaining national leaders with the death of Jaramogi Oginga Odinga, 82, the country's veteran opposition leader, after suffering a heart attack at his home outside Nairobi on Thursday, his family announced yesterday.

Late in life, Kenya's campaign for multi-party democracy galvanised him with the same conviction with which he had fought for the end of colonial rule three decades before.

In between, Odinga's independence of spirit, and an irrepressible habit of speaking his mind, earned him spells in jail and in the political wilderness. His exclusion from power, however, did not dent his popular following.

He could have been Kenya's first president. While Jomo Kenyatta, the country's founding father, was still in colonial jails, Odinga spurned covert offers from the British to groom him for power.

Kenyatta rewarded his loyalty with the vice-presidency after independence in 1963. But disenchantment with the way Kenyatta began to amass illicit wealth and policy differences led Odinga to resign from the government in 1966.

Branded a communist for his close ties to China and his opposition to a pro-western foreign policy, he disagreed with Kenyatta's decision to purchase land from white settlers for the African population, instead of expropriating it.

He left the ruling Kenya African National Union (Kanu) party to found the Kenya People's Union, which was soon proscribed. He spent the late 1960s in prison and thereafter endured long spells under house arrest.

Kanu made several attempts to lure him back to the fold, but Odinga's strong speeches denouncing corruption and the abuse of public office rendered any rapprochement impossible.

Disillusionment with Daniel arap Moi's government, and a campaign for multi-party democracy, gave Odinga a second lease of life. He was among the reformist politicians who founded the Forum for the Restoration of Democracy (Ford), the focal point for the pro-democracy campaign that culminated in the legalisation of opposition parties in 1991.

Ford, however, was unable to sustain its unity. The movement became riven with tribal and personal rivalries. Two Ford leaders, Odinga and Kenneth Matiba, harboured presidential ambitions and neither was willing to step down. Ford splintered, and President Moi was re-elected over a divided opposition in December 1992.

Kenya had a tumultuous first year of democracy, with corruption scandals rocking the government and Odinga, leader of the opposition in parliament, spearheading the campaign for good governance.

His reputation, however, suffered a fatal blow last year when he admitted to receiving political funds from a local banking group that was shut down for fraud and embezzlement. Several leading members of his party, Ford-Kenya, resigned in protest.

Perhaps sensing that his end was drawing near, Odinga became a conciliatory figure in his final months of life.

He praised President Moi and spoke of the need to maintain national unity in the face of mounting ethnic violence. He never explained his sudden change of heart.

Leslie Crawford

Odinga: struggled to end colonial rule Reuter

Hong Kong offers airport cash lure

Hong Kong, in an effort to break an acrimonious deadlock with China over its ambitious new airport, offered to sweeten the deal by putting in more of its own capital, Sir Hamish Macleod, the financial secretary, said yesterday, Reuter reports from Hong Kong.

He was speaking as legislators approved by a vote of 38-2 the government's request for further funds for the US$20.5bn (£13.8bn) project, caught up in the row over Governor Chris Patten's efforts to bring greater democracy to Hong Kong before the 1997 handover.

They voted for a HK$1.29bn (£112m) allotment for the next stage of construction and agreed to a government request for a further HK$377m for day-to-day costs.

Sir Hamish said the government still sought China's approval – vital if the airport is to attract international financing at attractive rates – but would press on with construction work meanwhile.

Beijing has rejected two financing packages for the airport, arguing that they would leave Hong Kong with a debt mountain on its reversion to China in 1997.

But many in Hong Kong believe China is attempting to use the airport, one of the largest infrastructure projects in Asia, to press Mr Patten to abandon his plans for democratic reform.

The government earlier rejected a halt to construction in the hope of reaching agreement with China.

Aluminium talks run into trouble

By Kenneth Gooding, Mining Correspondent, in Brussels

Talks aimed at an unprecedented international agreement to cut global aluminium output ran into unexpected problems yesterday.

Delegates from the main producing countries ended three days of talks with a marathon 26-hour session, which broke up yesterday without agreement. The indications were that the talks had been prolonged by US lawyers combing through an outline agreement to ensure it did not breach US anti-trust laws.

The delegates went into the negotiations, scheduled to last for only Tuesday and Wednesday this week, with the aim of cutting world annual aluminium production by 1.5m-2m tonnes for up to two years so as to restore the market to balance. It has been badly disturbed by the collapse of demand in the former Soviet Union, where more than half the metal produced went to the military. As the military no longer requires it and Russia, the world's second largest producer, is in desperate need of foreign currency, the aluminium has been exported in ever-increasing quantities, driving up stocks and sending prices plummeting by half.

The talks this week are aimed at deciding how output cuts might be between the main producers. Taking part with Russia and the US, the world's biggest producer, are Canada, the European Union, Norway and Australia.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Boost to Japan's economy delayed

By William Dawkins in Tokyo

Yesterday's Japanese political fiasco further delays government plans for an urgently needed Y13,000bn (£78bn) spending and tax reduction package, which was expected early next week.

Securities houses are accordingly bracing themselves for a fall in share prices when the Tokyo market, closed by the time the vote came through, opens on Monday. It was unclear last night when the government would be able to table the package, and whether parliament would find time to legislate on the draft proposals.

"It just means more delay and uncertainty," said Mr Geoffrey Barker, chief economist at Baring Securities in Tokyo.

Mr Morihiro Hosokawa, the prime minister, will meanwhile be bracing himself for an awkward meeting tomorrow with Mr Lloyd Bentsen, the US Treasury secretary, who has decided to add Japan to a round-the-world tour, to urge Tokyo to make progress in stimulating the economy. The vote also casts a shadow over next week's two-day meeting between US and Japanese officials in Washington on how to reduce Tokyo's stubbornly high trade surplus.

Japan's political confusion will encourage a stronger yen, because continued weakness of domestic demand will contribute to a wide trade surplus, said Tokyo economists. That will provide an extra drag on Japan's export-oriented economy. The delay of the economic package will encourage bonds to strengthen, since it puts pressure on the Bank of Japan to trim official interest rates in the absence of other measures to stimulate the economy, economists said.

In London yesterday the dollar fell sharply against the yen in response to the vote, falling from a London close of Y111.510 on Thursday to under Y110 before recovering to close at Y111.210. Analysts said the late recovery was probably the result of traders selling off profitable yen positions.

By late yesterday in London, the Japanese government bond future on Liffe was up a ½-point from Thursday's close at 115.98. The markets had until yesterday bargained on a package said by government officials to be potentially worth more than Y13,000bn. That would be the fourth economic stimulus since August 1992, worth just over Y30,000bn so far. The Y13,200bn plan was expected to include tax cuts worth Y6,000bn-Y7,000bn, plus Y5,000bn of public works spending and government land purchases.

Yohei Kono, opposition LDP president, in upbeat mood at a party convention yesterday Reuter

The comedians have the last laugh

Shimomura: 'It's unbelievable'

By Emiko Terazono in Tokyo

"It's unbelievable," sighed Mr Yutaka Shimomura, an upper house MP, overcome with relief after the unexpected defeat of Japanese Prime Minister Morihiro Hosokawa's political reform bill yesterday.

Mr Shimomura, a comedian by profession, is dead serious when it comes to politics. Clad in a formal brown kimono, he sternly cast his green ballot against the bill yesterday with a dignified manner.

It may be the first time in Japan's postwar history that small, obscure parties such as his Niin Club, a loose coalition of three comedians and two independent MPs, have been pushed into the limelight.

The coalition and opposition parties, desperate for votes, have tried to woo upper house members from the entertainment and athletic patch – those traditionally snubbed because their popularity is based on their jokes or their wrestling techniques rather than their policies.

Mr Shimomura claims that his party is the "conscience of the upper house". "We've got to show people that the upper house is not just a shadow of the lower house," he says.

The Niin Club has opposed the political reform bills because the small constituencies created by them would put smaller parties at a disadvantage. The larger parties make the same claims.

Mr Hosokawa managed to win votes from the Sports Peace party, formed by Mr Antonio Inoki, a square-chinned professional wrestler, and Mr Takenori Emoto, a former baseball star. However, the Niin Club firmly resisted the faxes and telephone calls from coalition parties, announcing last week that they would oppose the bill.

But although Mr Shimomura is delighted by the bill's defeat, he now faces the prospect of having to accept the compromise bills from the Liberal Democratic party, the leading opposition. "The LDP's version of political reform is worse," he says.

Upper House reform vote astonishes ruling parties

Coalition in disarray after unexpectedly widespread revolt by dissident Socialists

By Michiyo Nakamoto in Tokyo

The atmosphere in the normally sedate corridors of the diet building was one of astonishment and disarray.

Representatives of Japan's coalition government were visibly shaken by yesterday's vote against political reform.

"We did not even dream that such a thing could happen," said Mr Kozo Watanabe, of the Japan New party.

Of the dissident Socialists who scuppered the legislation, he said: "It may be that the awareness of their responsibility as the governing party was not strong enough."

Socialist leaders quickly gathered behind closed doors to assess the situation.

In the opposition camp leaders relished the victory. Mr Kazuo Shii, head of the Japan Communist party's secretariat, pronounced the outcome as "a reflection of the people's will".

In a combative mood though as solemn as ever, Mr Yohei Kono, the LDP leader, emphasised the seriousness of Prime Minister Morihiro Hosokawa's responsibility.

"He failed in his first promise to enact the reform bills by the end of the year and he is about to fail in his second promise to do so by the end of the emergency diet session."

Mr Hosokawa managed to maintain his aristocratic composure as he emphasised the government's continued commitment to reform.

The confusion which followed the upper house vote had broken an uneasy tension which had hung heavily over the Assembly Hall during the hour leading up to the final result.

Last-minute attempts by both sides to tip the balance had continued as representatives of the coalition and opposition parties had come to the podium to present their cases for and against the reforms.

Senior members of the LDP and Socialist parties alike had left the Assembly Hall from time to time with prospective rebels on each side to make a final plea to those expected to hold the casting vote.

It was not until the very last minute, when the votes had been counted and re-counted, that the uncertainty was cleared by the surprisingly large number of Socialist rebels who had voted against the reforms, a historic change the public had been waiting for.

On the streets, many citizens expressed frustration with both the government and the opposition for their failure to enact the reform bills.

"What have they been doing for the past 60 days using taxpayers' money?" asked one middle-aged man who was angered by the news.

"There are so many important things that need to be done, particularly economic reform," he said.

"The LDP should also co-operate and ensure that the reforms pass so that the government can move on to other things."

JAPAN'S POLITICAL REFORM
Upper House Vote

	No of seats	For	Against	Abstain
Pro-Reform government parties				
Social Democratic	73	53	17	3
Clean Japan	24	24		
Japan New				
Japan Renewal				
Democratic Reform	23	23		
Democratic Socialist	7	7		
Total coalition	127	107	17	3
Sports Peace	4	3	1	
Independents	5	3	2	
Total	136	113	20	3
Anti-reform opposition parties				
Liberal Democratic	99	5	94	
Japan Communist	11		11	
Niin Club	5		5	
Total	115	5	110	
Grand total	251	118	130	3

US and China to extend economic links

By Tony Walker in Beijing

China and the US have agreed to extend economic co-operation following a visit to Beijing by Mr Lloyd Bentsen, the US Treasury secretary.

Mr Bentsen and China's finance minister, Mr Liu Zhongli, reinstated annual sessions of the Joint Economic Committee to assist closer contact. Yesterday's was the first session of the JEC since before the 1989 Tiananmen massacre.

But Mr Bentsen also repeated his warning that Beijing could not take continued improvement in Sino-US relations for granted. He told senior Chinese officials that further economic co-operation depended on progress on human rights.

"There's been progress [on human rights] but more has to be done," he said.

Mr Bentsen was referring to conditions outlined last year by President Bill Clinton for renewal this year of China's Most Favoured Nation trading status, which facilitates access to the vast US market through lower tariffs.

Mr Clinton has called for "overall, significant progress," including improved conditions in Chinese prisons, the release of political prisoners, an end to the practice of exporting prison-made items and more sensitive treatment of Tibet.

Among issues agreed at yesterday's JEC meeting between Mr Bentsen and Mr Liu were:

- The establishment of three joint working groups to meet twice yearly to examine monetary and banking issues, exchange system reform and investment and economic co-operation.
- A visit to China this year by Mr Alan Greenspan, chairman of the US Federal Reserve, to advise on monetary reform and other issues.
- A Chinese undertaking to improve access to the Chinese market for foreign "financial institutions". Banks will be allowed "on an experimental basis" to engage in local currency-denominated business.

The two sides also pledged to join in efforts to strengthen regional economic co-operation "aimed at promoting sustained growth". China has agreed to attend a meeting of finance ministers from the member countries of the Asia Pacific Economic Co-operation forum.

Mr Bentsen's arrival in Beijing followed a review of policy which concluded it was in the US interest to "re-engage" the Chinese leadership, especially on economic issues.

Record annual trade surplus leaves economists disappointed

By Paul Abrahams in Tokyo

Japan's trade surplus rose to a record $120.4bn (£81.3bn) in 1993, 15.5 per cent higher than forecast and up 13.6 per cent on 1992.

The 1993 figure exceeded the previous record of $106.63bn, achieved the year before.

The finance ministry statistics will provide the US with further ammunition in its efforts to press Japan into stimulating the economy and opening Japanese markets to imports.

Japanese exports to the US during December exceeded American imports by $5.4bn, a rise of 17.3 per cent. The surplus, described by economists as surprising and disappointing, was up from $11.2bn to $12.9bn. Japanese exports in the month were $32.7bn, while imports were $19.8bn.

Mr James Vestal, BZW's chief economist in Japan, said currency movements had distorted the figures. In yen terms, exports had declined and imports increased.

Meanwhile, the gravity of Japan's recession was underlined by figures on money supply, up only 1.5 per cent in December compared with the same month last year. The data, published by the Bank of Japan, were in line with expectations.

A broader measure of liquidity, which includes postal savings, government bonds and investment trusts, increased 2.9 per cent in December compared with 12 months previously.

"This shows the economy is still bumping along the bottom. Public bank lending has increased 12 per cent, but this represents only a fifth of all lending. Private bank lending to individuals and small businesses is up only 0.5 per cent," said Mr Geoffrey Barker, economist at Baring Securities in Tokyo. "The question is whether private banking is subdued because of lack of demand, or because of a credit squeeze by the banks. I believe it's mainly the demand side. Once private bank lending *picks up, we'll know the economy* is heading for recovery."

Toyota said yesterday it would increase its US car production by about 25 per cent this year to 300,000 units. The move comes as Japanese motor groups struggle against a depressed domestic market, but demand in the US market appears to be recovering, Paul Abrahams reports.

The company is the second Japanese group to announce a substantial increase in US production. Earlier this week, Honda said it intended to raise its output 18.4 per cent to a record 597,000 this year.

Toyota's planned US production increase is in sharp contrast to its domestic production last year, badly hit by the recession. Output of cars, trucks, and buses fell 9.4 per cent to 3.56m.

Russian submarine sale to N Korea to be probed

Japan's Ministry of International Trade and Industry yesterday launched an investigation into allegations that a small Tokyo-based company had arranged the sale of 12 Russian attack submarines to North Korea, write Paul Abrahams in Tokyo and John Burton in Seoul.

The ministry said the Japanese embassy in Moscow had asked the Russian government for an explanation of the sale. It has also approached a Tokyo-based group, understood to be Toen Trading Company, about the transaction.

The Russian authorities had explained the submarines were obsolete, having been built in the 1960s, and were being sold as scrap, said the ministry.

Russia said the contract for the 12 diesel-powered Foxtrot-class submarines required that Russian officials supervise dismantling of the vessels, which are being delivered without weapons or important core components.

Only one submarine had so far been towed from the Russian Pacific Fleet's base in Vladivostok to North Korea, according to the Russians.

There would be no legal problems for Toen if it had sold the submarines as scrap, but if not, the group could be prosecuted under the foreign exchange and foreign trade law, Miti said .

South Korea expressed concern this week that Russia had broken a 1992 pledge not to supply military equipment to North Korea after Japanese *newspapers reported that* Pyongyang had purchased the decommissioned Russian submarines through a small Japanese trading house.

Some analysts believe North Korea may try to cannibalise the submarines for spare parts to keep in service its fleet of 25 ageing Whiskey- and Romeo-class submarines, which are approaching the end of their operational life.

But South Korea was told by the US military that there was only a slim chance that North Korea could recover parts for use in its other submarines. South Korea is worried that operational deployment of the submarines would negate its efforts to establish parity with the North's submarine fleet.

South Korea's first submarine, a modern German-de*signed Type 209-class vessel*, entered service last year.

Burmese generals still jittery after all these years

With all opposition crushed, the junta is in no mood to ease up, reports Victor Mallet

To sentence four men to death in a summary trial, to jail 1,000 innocent people for up to seven years after court hearings lasting as little as a minute, and to sack the police chief of the capital along with several junior officers might seem an exaggerated response to the death of a single student in a brawl.

In Burma – where these actions were taken this month by the military junta, according to the official media and diplomats in Rangoon – such harshness and disregard for the due process of law barely raised a few eyebrows.

The generals who have ruled Burma for three decades are believed to have acted with particular speed and severity to appease the dead man's fellow-students because a similar incident involving the stabbing of a student at a tea-shop sparked the pro-democracy uprising of 1988.

Five years after crushing that uprising by killing thousands of Burmese civilians, the junta, now known as the State Law and Order Restoration Council (Slorc), looks more powerful than ever.

The rebel armies of ethnic groups along the borders, such as the Karen and the Kachin, have reluctantly agreed to negotiate ceasefires with the government after years of guerrilla warfare.

Foreign businessmen, especially from Singapore and Thailand, are providing Burma's generals with much-needed foreign currency by investing in hotels and other projects. Border trade with China is helping the Burmese economy to grow by as much as 6 per cent a year; Japan and the European Union are considering the resumption of humanitarian aid hitherto suspended in protest at the regime's human rights abuses.

Organised domestic opposition to the Slorc has been crushed. Some of the 700 delegates to the national convention, a gathering appointed to rubber-stamp a new constitution entrenching the power of the armed forces, almost whimper with fear when spoken to by foreign journalists.

It is easy to understand why. Mr Aung Khin Sint was jailed for 20 years last year because he had the temerity to remind his fellow-delegates that they had a duty to the Burmese people, a cryptic message taken to mean that they should stand up for their democratic beliefs at the convention.

Buddhist monks, another group regarded as potentially dangerous by the Slorc, have either been imprisoned or bought off with gifts of televisions and endowments for their monasteries.

> Buddhist monks, regarded as potentially dangerous, have been imprisoned or bought off

No-one expected the Slorc suddenly to hand over power to civilians and take a back seat, but foreign diplomats are surprised that the increase of the junta's economic and political power over the past two years has not given the generals a greater sense of security or encouraged them to prepare a more liberal constitution.

The outline of the new constitution now being drafted not only gives the military a role in the executive, the legislative and the judiciary, and in all levels of government from the national to the local, but also gives the armed forces complete autonomy in all military matters (including the defence budget) and the right to declare an emergency and take power whenever they please.

"Really, they are in such a strong position that they can give away a lot more than they have," said one diplomat.

Members of the Slorc, in an attempt to whip up popular support and justify the continued house arrest of Ms Aung San Suu Kyi, the pro-democracy leader, trumpet the army's nationalist credentials and repeatedly condemn supposed "neo-colonialist" and "imperialist" plots.

Government officials criticise Ms Suu Kyi for having married a foreigner (a Briton) and the draft constitution bars those with foreign spouses from becoming president.

The junta's latest political creation, a successor to failed pro-military political parties of the past, is the Union Solidarity and Development Association (Usda), a mass movement with civilian leaders whose activities – usually ending with "rousing cheers" and "tumultuous chanting of slogans" – have been reported in the state media every day since its foundation last September.

Most of those attending Usda rallies are civil servants or schoolchildren given the day off work; before one such rally in Rangoon recently, pupils were told they would fail their exams if they did not go.

Burma and Usda are often compared with Indonesia and its ruling party Golkar. Burma's generals have acknowledged they aspire to the influential if relatively discreet role of the army in Indonesia.

The main difference – which may explain why the Burmese junta remains so insecure – is that the army in Burma is much more unpopular than its Indonesian counterpart.

NEWS: UK

Council raids builders' offices in fraud probe

By John Authers

The Labour-controlled London Borough of Lambeth has taken the unprecedented legal step of raiding the offices of one of its own sub-contractors, confiscating documents and freezing funds as part of an attempted crackdown on alleged fraud.

Mr Paul Claydon, the district auditor who last year attacked the south London borough in a report, claiming that £20.2m had been spent unlawfully, has backed Lambeth's "unique" action, signalling that local authorities will be encouraged to take a tougher stance on fraud.

In a management letter to council members, he says: "I regard the council's success in obtaining High Court orders as a sound, appropriate and imaginative approach to the recovery of large sums which may have been overpaid."

Last October council officials obtained injunctions from the High Court against Botes Building, a London-based maintenance company which carried out work on council houses in six of Lambeth's 20 administrative areas. Solicitors for the council, accompanied by independent solicitors, raided Botes's offices and removed and copied thousands of documents.

Lambeth claims that it was over-charged by a total of £4m by Botes Building, and its managing director, Mr Ian Botes. There are three other defendants: a former Lambeth employee; a consultant surveyor previously retained by Lambeth; and a former director of Botes who left the company last year.

Mr Botes and the company were ordered by the High Court to pay £100,000 into an account. This was raised to £250,000 by the Appeal Court after an appeal by Lambeth.

Lambeth's claim concerns four contracts, three on individual properties, including a building in Guildford Road, Stockwell, and one claim of £3.5m covering the council's maintenance contract, which includes thousands of individual transactions.

Mr Justice Judge said there was "powerful evidence to support the allegation that the Guildford Road contract was marked by dishonesty and fraud on Lambeth which involved employees of both Lambeth and Botes". He said that "by not earlier than early 1993 Mr Botes personally was aware of very serious anxieties to which this contract was giving rise". He added: "In spite of that knowledge he neither acted personally to ensure that the issue was ventilated with Lambeth, nor did he instruct his staff to do so."

However, Lord Justice Evans, speaking in the Appeal Court, said Lambeth's claim for a £4m limit was "clearly excessive, on the material now before us", and added that Lambeth's records were not yet up-to-date.

The court was told that Mr Botes had done a "quick check" in October and arrived at an overvaluation figure – the difference between the value of work Botes did and the amount Lambeth paid them – of £1m for the maintenance contract. Lord Justice Evans said Lambeth "should be free to renew their application when clear evidence, simply stated, becomes available to them to justify a certain or approximate sum as the value of their claim in respect of the maintenance contract".

Concrete producers face contempt proceedings

By Andrew Taylor, Construction Correspondent

Contempt of court proceedings have been issued against some of Britain's biggest producers of ready-mixed concrete and eight company directors alleged to have operated price-fixing and market-sharing agreements.

If found guilty companies could face unlimited fines and directors could be fined or imprisoned for up to two years, according to the Office of Fair Trading, which brought the charges.

It is the second time in three years that some producers have faced contempt proceedings involving subsidiaries.

In the latest action, nine companies are alleged to have broken court orders and undertakings not to operate price-fixing and market-sharing agreements in north-west England, East Anglia, east Midlands, London and the home counties.

They are: Hartigan Ready-mix of Newport Pagnell; Mix-concrete, London; Pioneer Concrete (UK), London; Tarmac Roadstone Holdings, Wolverhampton; Willment Ready Mix Concrete, London and four subsidiaries of RMC, the world's biggest concrete company – Ready Mixed Concrete (Eastern Counties), Ready Mixed Concrete (London), Ready Mixed Concrete (North West), Ready Mixed Concrete (Transite) of St. Albans.

Sir Bryan Carsberg, director-general of fair trading, alleges that the companies had breached court orders and undertakings given to the Restrictive Practices Court in the 1970s.

Sir Bryan said: "We have now amassed a substantial amount of evidence to suggest flagrant and widespread breaches of competition law. The evidence also suggests that previous court orders banning collusion have been ignored: the participants must now answer to the court."

RMC said yesterday that since 1978 it had issued express instructions to staff not to participate in any market arrangement. It said it would defend the legal proceedings brought against its four staff.

Three years ago Ready Mixed Concrete (Thames Valley), Hartigan Ready Mixed, 50 per cent owned by building materials group Redland, and Pioneer, a subsidiary of the Australian materials group, were fined a total of £56,000 for disobeying court orders prohibiting them from entering market-sharing agreements in Oxfordshire. Mr Anthony Hullett, a manager at RMC, was fined £1,200.

Upfront: Kelvin MacKenzie masterminded many classic Sun frontpage headlines, including attacks on Labour leader Neil Kinnock and EC president Jacques Delors

Sky's the limit for soaraway Kelvin

By Raymond Snoddy

Mr Kelvin MacKenzie, the man who took the credit and the blame for headlines such as Gotcha! and Freddie Starr Ate My Hamster is turning his back on tabloid newspapers after 13 years as editor of The Sun.

The archetypal tabloid editor, who rarely appears on television if he can possibly help it, is leaving what used to be called Fleet Street to be managing director of British Sky Broadcasting.

Mr Gus Fischer, News International chief executive, said that as one of the most successful editors Mr MacKenzie deserved such a career move, and added: "He is very smart. He can also be serious, very serious."

At BSkyB – in which Pearson, owner of the Financial Times has a significant stake – he will be joining Mr Sam Chisholm, chief executive, one of the few people in the UK media who is every bit as colourful and direct in his language as the departing editor of The Sun.

Mr Chisholm, who will be showing 47-year old Mr MacKenzie the ropes from next Monday, said last night: "The great thing about Kelvin is he is a highly creative, very energetic man with a great deal of flair and imagination."

Mr Stuart Higgins, aged 37, the deputy editor of The Sun and acting editor of the News of the World, will become only the third editor of the paper since its relaunch by Mr Rupert Murdoch in 1969.

Mr MacKenzie was saying little last night about his new job. He did issue an uncharacteristically bland official quote about having had the best job in British journalism for the past 13 years and was now on his way to one of the most exciting challenges in television.

Other than that he could not be distracted from editing last night's paper.

BSkyB may never be the same again.

Virani 'a victim of fraud at BCCI'

Mr Nazmudin Virani, the former property entrepreneur, was a victim of, not a participant in, the fraud perpetrated by the Bank of Credit and Commerce International, his barrister, Mr Anthony Scrivener QC, told the Old Bailey yesterday, John Mason writes.

In an opening statement to the jury, Mr Scrivener said there was no dispute that BCCI had been run by a "gang of crooks". However, Mr Virani had been "duped" by a senior BCCI figure into signing documents which the prosecution claims shows he was part of a conspiracy to inflate the bank's profits by $30m.

Mr Virani denies one charge of conspiring to defraud BCCI investors, one of theft, one of false accounting and 11 of furnishing false information to Price Waterhouse, BCCI's auditors.

Mr Scrivener said that when BCCI got into its enormous financial difficulties, Mr Mohammed Haque, the head of BCCI's London property division, was told to create fictitious accounts to fool the auditors.

These included letters which falsely confirmed that the Virani group of property companies had loans from BCCI totalling £30m. Mr Virani had trusted Mr Haque and had not studied these letters closely before signing them, Mr Scrivener said.

Although Mr Virani had been fooled by BCCI, he was in good company, Mr Scrivener went on. The Bank of England, accountancy firm Price Waterhouse, the ruler of Abu Dhabi and other wealthy Middle Eastern figures had also been duped, he said.

The trial continues next Wednesday.

Fresh review for Rosyth naval base

The Ministry of Defence has told employees at the Rosyth naval base in Fife that it is once again reviewing its future. The base adjoins the Rosyth naval dockyard, whose future was last summer guaranteed until 2005.

The base, which employs 1,800 civilians and involves 4,000 naval personnel on land and at sea, was reprieved from closure in July 1991.

The review follows a statement in December by Mr Malcolm Rifkind, defence secretary, who said he was setting up a study to look at ways of reducing the forces' spending on back-up services to meet heavy cuts in the defence budget from 1996.

On current plans the civilian workforce will drop from its present 1,800 to 1,300 by April next year, the MoD said.

Classic FM wins Dutch licence

Classic FM, the commercial classical music station, has won one of two new FM music frequencies in the Netherlands.

Sir Peter Michael, Classic FM chairman, said yesterday that winning the licence was a step in the direction of its longer-term strategy "to build a European network for the station".

Radio advertising has been growing in the Netherlands and is expected to reach an estimated £74.5m in 1995.

Genetic science controls eased

The government yesterday announced the first relaxation of controls over the release of genetically engineered organisms in response to complaints that present regulations are too time-consuming and bureaucratic.

The Department of the Environment is introducing a "fast-track" approvals process for field trials of plants whose genes have been modified. It will apply to "low-risk releases" of several crops.

So far the department has approved 15 releases of genetically modified organisms under the present regulations.

Regulator signals tough approach to gas shake-up

By Robert Corzine

Ofgas, the gas industry regulator, said yesterday that "draconian" mechanisms will be put in place to ensure the complete separation of British Gas's transportation and storage unit from its trading arm.

In her first major speech since the government last month rejected a Monopolies and Mergers Commission recommendation that British Gas be broken up, Ms Clare Spottiswoode, Ofgas director-general, told a conference that said she intended to "police the separation very stringently".

People in the independent gas market needed to have complete confidence that "commercially sensitive information given to [British Gas's] transportation and storage division is safe", she said. Severe penalties would be imposed on British Gas if any breaches of the "Chinese walls" occured.

Ms Spottiswoode said the previously strained relationship between Ofgas and British Gas had improved markedly in recent months.

At the conference, At the conference Mr Cedric Brown, British Gas chief executive, assured sceptical independent gas marketers that British Gas's trading arm would "pay on the same basis as any other pipeline customer".

But Mr Kris Maroe, chief executive of Alliance Gas, a joint venture between British Petroleum and the Norwegian companies Statoil and Norsk Hydro, called for "concrete" rather than Chinese walls.

Ms Spottiswoode unveiled an ambitious timetable to meet the government's target for the partial lifting of British Gas's monopoly over the mainly residential sector of 18m consumers in 1996. Full abolition will coincide with the opening of the domestic electricity market in 1998.

She confirmed that worries about the ability of British Gas's information technology and residential metering system to cope with a sudden shift of consumers to independent suppliers was the reason for phasing in competition.

Ofgas will work closely with British Gas in tackling the issue, which is among many questions which will be raised in a consultation document to be published next month.

The consultation period will end in May, when the DTI will start preparing the legislation to open up the residential market. The gas bill would need to be ready for introduction in November and become law next summer if the timetable is to be met. But the government has not given a commitment to introducing it this year.

Tin mine confident as DTI cuts funds

By David Lascelles, Resources Editor

Cornwall's last tin mining company, Carnon Consolidated, said yesterday that it hoped to continue operating, in spite of reports that the government is to end vital financial support.

According to a leaked letter from Mr Tim Sainsbury, industry minister at the Department of Trade and Industry, the government has decided not to extend any further loans to the company beyond the £23.4m advanced already.

The letter says that the DTI has decided that the project is "in jeopardy" and that Carnon has been unable to adjust its costs to the low price of tin. Carnon's directors told the DTI in November that they needed £200,000 before the end of January to keep going.

However, the company said yesterday that the tin price had strengthened and it was confident it could operate profitably. The DTI declined to comment on the leaked letter.

Carnon, based near Truro, employs 250 people, and another 250 jobs depend on its supplying companies. According to the Sainsbury letter, the DTI is concerned about the unemployment and possible environmental harm. One of Carnon's earlier abandoned mines, Wheal Jane, leaked two years ago, polluting the Falmouth Estuary.

Mr Matthew Taylor, local Liberal Democrat MP, said the government should learn from Wheal Jane where they saved a small sum of money by letting the mine close, only to spend a large sum on unemployment pay and environmental clean-up.

Cash-with-order adverts reprieved

By Diane Summers, Marketing Correspondent

A European Union plan that would have prevented advertisers from demanding cash with customers' orders has been scrapped.

The EU's draft "distance selling" directive has been amended, after strong lobbying by UK advertising groups, and now omits all reference to the proposed cash-with-order ban. Under the previous draft, consumers ordering goods by post would have been entitled to wait for the goods to arrive before forwarding their cash.

The Direct Marketing Association said it was "surprised and pleased" that the Greek presidency of the EU had decided to amend the draft. The association said the cash ban would have been a "fraudsters' charter" and some advertisers' existence would have been threatened by the increased burden of bad debt.

The redrafted directive cuts out other controversial proposals, including restrictions on the way travel agents collect payment, and a clause which would have outlawed unsolicited selling by telephone.

The selling of financial products is also now excluded from the draft directive as it is covered by other legislation.

The remaining provisions of the draft directive are broadly in line with current industry agreements and legal restrictions on direct marketing in the UK, said the DMA. However, there were still a few clauses relating to credit card payments, books and magazines which were unacceptable, said Mr Colin Fricker, DMA legal director.

The European Parliament is due to consider the draft directive later this year. Concerns remain that the parliament could reverse the latest amendments. Mr Fricker said "vigilance and pressure" must be sustained to prevent reversion to the earlier wording.

Leak shows government fears on traffic pollution

By David Lascelles

Fumes and noise from the ever-increasing volume of traffic on British roads pose one of the biggest threats to the environment, according to a leaked section of a government strategy document due to be published next week.

Friends of the Earth, the environmental pressure group, yesterday released the excerpt from UK Strategy for Sustainable Development which Mr John Gummer, environment secretary, is due to issue on Tuesday.

The document – part of Britain's commitments to the 1992 Earth Summit in Rio de Janeiro – will set out government plans to put the UK on to a more environmental footing in the long term. It aims to curb pollution and waste, and to enable the UK to meet its international treaty obligations to clean up the atmosphere. There will also be plans to preserve animal and plant life and forests.

The leak, which contains some proposed final amendments, shows that while the government is worried by the growth of traffic, it also wants to avoid painting the threat in too controversial terms.

In an accompanying letter, Mr John MacGregor, transport secretary, asks Mr Gummer to delete a comment that "some road construction proposals threaten protected nature sites and other sensitive areas". He is also unhappy with the statement that traffic growth in some parts of the country "would produce unacceptable economic and environmental consequences".

The draft says the government will have to produce measures to influence traffic growth.

Friends of the Earth said the document showed the government was far from agreed on a sustainable transport policy.

Caterpillar wins derecognition vote

By Robert Taylor, Labour Correspondent

White-collar staff at Caterpillar (UK) have agreed by a large majority to end collective bargaining and accept the derecognition of their unions in return for a package of inducements including lump sum payments of £500.

The vote was 103 in support of the offer with 45 against. Last week supervisors and senior technicians at the company's digging-machinery plant outside Leicester voted for union derecognition.

The company – the world's biggest manufacturer of construction equipment – said staff had "expressed their preference for working directly with the management". The unions involved were the MSF technical union and the Apex white-collar section of the GMB general union.

The company added that this was "part of an on-going strategy to expand employee involvement". It refused to say whether it would extend its offer to manual workers.

Revised banking code to spell out principles

By Alison Smith

The governing principles of the code of banking practice are likely to be spelt out in a new section of the code when the second edition is published shortly.

The expected revision would move the clauses setting out broad commitments about how banks should behave from the introduction to the main body of the code.

One of the arguments put forward by organisations such as the National Association of Citizens' Advice Bureaux for a statutory code of banking practice has been that banks have been ignoring the spirit of the voluntary code, and the change appears to be intended to meet that point.

At present, the principles say that banks should act fairly and reasonably towards their customers, should try to give customers a good understanding of how their accounts operate and how the banking system works, and should maintain confidence in the security and integrity of banking and card payment systems.

The new version is also expected to reflect concerns expressed by the Consumers' Association and others that bank staff serving customers did not know enough about the code, and that bank branches did not carry enough information about it.

Changes to the code have been drafted by a joint working party of three trade associations representing banks and building societies – the British Bankers Association, the Association of Payment Clearing Services and the Building Societies Association.

The working party received recommendations from an independent review committee headed by Sir George Blunden, a former deputy governor of the Bank of England. The new edition is expected to be published by the associations next month.

Other revisions are expected to require banks to introduce pre-notification of charges on personal customers' accounts; and to tighten the wording that requires banks to obtain the consent of customers before giving their personal account details to other companies within the group.

Most of the new edition will take effect from this March, but there will be a time-lag for the introduction of pre-notification to allow for changes to computer systems.

Building societies hit by £121m net outflow of funds

By Alison Smith

Fierce competition for personal customers' savings contributed to a net outflow of £121m of building society funds in December.

Figures released yesterday by the Building Societies Association also highlighted the pressure that societies are under in the mortgage market. Net advances in 1993 totalled £9.4bn, compared with £13.5bn in 1992 – indicating a loss of market share to the banks, whose fixed-rate mortgages have proved popular.

Mr Adrian Coles, director-general of the association, said that with interest rates expected to remain at or below their present levels in the coming year, the intense competition for savings looked set to continue.

The figures showed an outflow for the second month running, following the £400m net outflow in November. It is only the second recorded outflow in December. The first one was just over two years ago, as customers were slow to build up their accounts after the British Telecommunications flotation.

Over 1993, societies recorded a net inflow of £2.2bn – a significant advance on the 1992 figure of £295m but well below the levels of recent years.

Societies are expected to step up their efforts to keep customers' savings through products such as unit trusts over the coming months, even where this could mean a shift from their own deposit accounts.

During the year there was an increase in retail funds of £10.7bn because of interest credited to savers which was left in their accounts.

Mr Coles emphasised that societies would warmly welcome the government's decision to review the 40 per cent limit on the proportion of funds which societies can raise from the wholesale markets.

The announcement of a review of societies legislation, which will include an examination of the wholesale funding limit, came on Thursday – as the government gave details of its pensioners guaranteed income bond. Societies expect some outflow of funds from savers eligible for the new product, which went on sale yesterday.

Net advances in December were £624m compared with £880m in November, while net new commitments fell to £2.1bn in December from £2.8bn the previous month.

Mr Coles said that the downturn last month reflected a "normal seasonal dip in activity around the turn of the year". In 1992, however, there was much less difference between the November and December figures, although both were lower.

Financial advisers warn over PIA

The National Federation of Independent Financial Advisers yesterday warned that it might support calls for statutory regulation of financial services, Alison Smith writes.

Mr Bill Raynes, chairman, said the federation did not want statutory regulation but was not prepared to accept the version of self-regulation proposed for the personal investment authority (PIA).

The latest controversy was sparked by the PIA's decision that only nine of its 19-strong board should be working in the industry. This prompted the resignation from the board of Mr Jim Stretton, deputy managing director of Standard Life, who argued that this could not amount to self-regulation.

Mr Garry Heath, federation chief executive, said: "Too many product providers have locked the door of their closet and despite Jim Stretton's principled stand have not come out and been counted."

He added, however, that the federation had dropped plans to apply for judicial review into the PIA board structure.

Sharp increase in written-off tax

The rise in business insolvencies between 1989 and 1992 led to a sharp increase in the amount of tax that was written off by the Inland Revenue. In a Commons written answer, Mr Stephen Dorrell, financial secretary to the Treasury, said £1.69bn in tax was written off in 1992 – nearly three times the amount written off in 1990.

The Inland Revenue attributed the increase to bankruptcies and to changes in the way that insolvency was administered in those years.

Two bank staff dismissed

Two London staff of UBS, the Swiss bank, have been dismissed and two others have resigned following breaches of internal procedure, the bank said yesterday.

Market sources said they believed the resignations and dismissals related to an overstatement of profits on one of the bank's proprietary trading positions. There is not believed to have been any collusion between the individuals.

The bank said no losses were incurred by it or clients and the rule breaches were not a criminal matter.

Holiday price war set to end today

The holiday price war is due to end today when Lunn Poly, the largest travel retail chain, ends its offer of 11 per cent discounts on summer bookings.

Going Places, the second largest chain, ended its 11 per cent discounts last Saturday. Thomas Cook, the third biggest chain, had been promising customers that it would match Lunn Poly's prices.

Scottish councils cancel talks ban

The Convention of Scottish Local Authorities voted yesterday to end its ban on talking to the government over local government reform. It will keep dialogue to a minimum and concentrate on helping opposition MPs oppose the Scottish local government reform bill which had its Commons second reading this week.

Adams cool on move to save talks

By David Owen and Ivor Owen

Hopes of an early end to the IRA's 25-year campaign of violence in Ulster suffered a fresh blow last night as Sinn Féin responded coolly to new efforts by London and Dublin to breathe new life into their peace initiative.

Mr Gerry Adams, the Sinn Féin president, said the only positive aspect about an attempt by Sir Patrick Mayhew to reassure nationalists about last month's Downing Street declaration was the Northern Ireland secretary's recognition that clarification could be appropriate in future.

Mr Adams described the declaration as " a masterpiece of ambiguity". He said it was "absurd to me" that the UK government "does not supply the request for clarification that has been put to them in quite reasonable terms by me".

He insisted, however, that the political wing of the IRA was not "searching for a no". Sinn Féin was "not going to allow the British government to squander this opportunity for peace".

His remarks came as London delivered a firm rebuff to Sinn Fein's demand for direct dialogue on the declaration, using a letter to Mr Adams to accuse it of seeking to "reopen issues for renegotiation" in a letter sent to Mr John Major earlier this month.

Publishing both this original letter and a terse response signed by a senior government official, Downing Street told Mr Adams there was "no question" of the joint declaration being renegotiated. "That text, and only that text, is what is at issue," it said.

The Sinn Féin president reacted angrily, accusing the prime minister of "a patently obvious attempt to frustrate a genuine effort to end the stand-off".

Referring to Mr Adams's letter in a Commons debate yesterday, Sir Patrick said it did not "give particulars" of what Sinn Féin wanted clarified.

Talk of clarification was "but a smokescreen to distract attention" from whether "all those now engaged in violence" would renounce it.

Drawing heavily on an earlier speech seeking to reassure both nationalists and unionists about the joint declaration, Sir Patrick said the aspiration of a united Ireland by peaceful means was "fully legitimate".

He hinted strongly that Britain's broadcasting ban on Sinn Féin would be lifted only if republican leaders renounced terrorism.

Whitehall 'protected ministers over Iraq'

By Jimmy Burns

Mr Michael Heseltine, the trade and industry secretary, asked civil servants to draft parliamentary replies over the arms-for-Iraq affair with the aim of protecting the government from further embarrassment on the issue, the Scott inquiry heard yesterday.

Mr Nicolas Bevan, a former Ministry of Defence and Cabinet Office official, said Mr Heseltine had suggested to Whitehall officials and fellow ministers in November 1992 that there should be only a simplified statement on the government's involvement.

He said the minister's intervention was to ensure that the government would be seen to be consistent in fielding questions about its guidelines on arms sales. "Mr Heseltine felt that the ground beneath his feet was shifting and he wasn't sure it could be solidified," Mr Bevan said.

In November 1992, cabinet officials including Mr Bevan advised Mr John Major, the prime minister, that ministers had considered a change in government guidelines restricting arms sales to Iraq, but had decided against it. Ministers told officials to interpret the guidelines more flexibly, but there was, Mr Bevan advised, no change in substance.

Mr Bevan's advice was challenged by Mr Michael Coolican, a senior DTI official. His view was that it was "quite clear" that the way the guidelines had been operated was different to information previously given to parliament.

According to an internal DTI memorandum made available to the Scott inquiry, Mr Heseltine believed that civil servants' drafts of parliamentary answers concerning the guidelines "run the risk of storing up trouble for ministers when Lord Justice Scott delivers his report and of rekindling interest in the issue".

The inquiry was adjourned until Tuesday, when evidence will be given by Mr Douglas Hurd, the foreign secretary.

Lending boosts money supply

By Emma Tucker, Economics Staff

A post-Budget pick-up in private sector lending boosted the broad measure of the money supply in December, and confirmed that the trend in borrowing is firmly upwards.

Bank of England figures showed that sterling lending by banks and building societies to the private sector – M4 lending – was a seasonally adjusted £4.1bn last month compared with £0.55bn in November. This took the year-on-year growth rate of M4 lending – a good indicator of consumer and company confidence – to 3.6 per cent from 3 per cent in the year to November.

The broad money supply measure, M4, rose a seasonally adjusted 0.7 per cent last month compared with the previous month, a much stronger rise than expected. It was up 5.5 per cent in the year to December, the highest growth rate since August 1992. It compared with 4.9 per cent in November. Analysts said the acceleration in the M4 growth rate almost certainly represented a bounce-back from the very depressed November lending figure, but nonetheless reflected a gradual upwards trend. Most of the growth was concentrated in the company sector with personal sector borrowing still relatively depressed.

Figures yesterday from the British Bankers' Association showed that lending by the UK's main banking groups in December was lower than in November, but above the average of the previous six months.

Lending by the nine banking groups – which covers only a proportion of the overall M4 bank and building society sector – rose a seasonally adjusted £1.42bn in December compared with November's rise of £2.13bn.

Lord Inchyra, BBA director-general, said that in spite of the slowdown last month, the longer-term trend in lending showed a definite advance from its low point a year ago.

Consumers more optimistic in poll

By Peter Norman, Economics Editor

British consumers are more optimistic about the UK economic outlook although on balance they still expect unemployment to rise in 1994, according to Gallup, the market research group.

In its monthly survey for the European Commission, Gallup found that consumers were less worried about their own financial position in spite of the tax increases announced in the November Budget.

Although a majority still expect their own financial situation to deteriorate over the next 12 months, the answers on household finance were the most positive for four months. The number of pessimists outweighed optimists by 12 percentage points compared with 18 points in December. Gallup polled 2,035 adults between January 6 and 18.

As is often the case in January, when the sales are in full swing, there was a sharp increase to 44 per cent in the number of consumers declaring that the present was a good time to make a large purchase.

On balance, the number of people favouring a large purchase exceeded those saying that it was the wrong time to buy by 19 percentage points – 15 points higher than in December and the highest level since August 1988.

The survey found people equally divided over whether the economy would strengthen this year. The resulting zero balance was 9 points up on that of December and the most positive since September last year.

Downing Street dinner date: clockwise from top left, Lord Rothschild (right), Sir Michael Bishop, David Verey, Derek Hunt, Sir Richard Greenbury *Photographs Colin Beere*

Labour describes dinners at Number 10 as corrupt

By Kevin Brown and Peter Marsh

Labour last night accused Mr John Major of misusing Downing Street to raise money for the Conservative party after the prime minister hosted the fourth in a series of private dinners for leading businessmen.

Mr Nigel Griffiths, a Labour trade and industry spokesman, called the dinners "an old-fashioned, corrupt shake-down where desperate and tainted politicians wine and dine businessmen and induce them to make large contributions, often in secret."

A senior government official said the prime minister had "made very clear that he does not use Number 10 for fund-raising purposes".

However, Conservative Central Office confirmed that the dinner was "a private event" paid for by the party.

Officials refused to release the guest list for the dinner, which is part of a confidential series intended to help reduce the party's £15bn overdraft. It is known that about 20 senior executives were invited from the banking, manufacturing and service industries.

Sir Michael Bishop, chairman of the British Midland airline group, said the prime minister gave a "bravura performance" as he discussed the "upbeat" business outlook. Other guests included Lord Rothschild, chairman of St James's Place Capital, the financial group; Sir Richard Greenbury, chairman of Marks and Spencer; and Mr Derek Hunt, chairman of furniture retailer MFI.

Guests contacted by the FT said there was no discussion of fundraising during the evening. "It was a private meeting. No one mentioned money," said Mr David Verey, chairman of Lazard Brothers, the investment bank.

Senior officials have confirmed that there is never any direct discussion of contributions. The dinners are billed as an opportunity for guests to put their views directly to the prime minister. Guests would be contacted later by party treasurers.

GP drugs budgets to rise by 12%

By Daniel Green

The government has increased its allocations for general practitioner prescribing by 12.3 per cent for 1994-95, compared with the current year, in spite of ministerial claims last year that the National Health Service drugs bill was already too high.

The health department said the rise meant it expected GPs in England to spend £3.2bn on drugs. GPs prescribe about 80 per cent of drugs by value, with the rest from hospitals.

Dr Brian Mawhinney, health minister, said the increase was partly the result of "the continuing rise in the number of elderly patients and medical and pharmaceutical advances".

New drugs such as Glaxo's Imigran, the first mass-market migraine treatment, launched last year, may have played a role in the higher bill.

But the Association of British Pharmaceutical Industries responded to the DoH statement by arguing that prices of drugs had actually fallen in real terms. It said: "Drug prices were subject to a 2.5 per cent decrease in 1993 and have been effectively frozen for the next three years."

Rebellious Lords give Major cause for concern

In the upper house four of the government's bills are facing serious trouble, writes Kevin Brown

The past, wrote L.P. Hartley, is another place; they do things differently there. Indeed they do, as ministers are finding to their cost in the House of Lords.

Like Baroness Thatcher before him, Mr John Major is discovering that the permanent Conservative majority in the Lords does not guarantee support for Conservative legislation.

The government is facing serious trouble on four bills in the upper house – an almost unprecedented scale of opposition in a chamber dominated by Conservative hereditary peers.

The latest outbreak came on Tuesday, when the police and magistrates courts bill, which implements reforms announced at October's Conservative party conference, was savaged during its second reading debate.

A week earlier, the education bill, which reforms teacher training and reduces the independence of student unions, was given an almost equally rough reception.

There is also unrest – stoked on Wednesday by Lord Taylor of Gosforth, the Lord Chief Justice – about some aspects of the criminal justice bill, which amends the so-called right to silence for defendants in criminal trials.

And sceptical whispers are circulating on the Lords' red leather benches about sweeping new ministerial powers contained in the deregulation bill, published on Wednesday.

Modern governments are not made and broken in the Lords. But ministers are nervously aware that trouble in the upper house can spread rapidly to the Commons if not smartly checked.

For the moment, Downing Street is trying hard to appear unruffled. But concern is growing, as Lord Wakeham, leader of the Lords, told the cabinet on Thursday.

The government is most concerned about the quality of the emerging opposition, which ranges from prominent Conservative academics such as Lords Beloff and Skidelsky on the education bill to the independent Lord Knights, a former chief constable, and Lord Carr, a former Conservative home secretary, on the police bill.

The most damaging criticism has come from Lord Whitelaw, Lady Thatcher's deputy prime minister, widely regarded as the former prime minister's most influential adviser until his retirement in 1988.

Lord Whitelaw did not mince his words. He told the Lords: "When I find I am anxious and concerned, surely it must be my duty to speak out firmly, and that is what I am doing."

As one senior minister put it, when a Conservative government finds that men like Lord Whitelaw think it their duty to speak out, something is going very wrong.

Lord Richard, Labour's leader in the Lords, puts the government's problems down to a mixture of arrogance and bad management. The Conservative rebellion, he says, requires little assistance from Labour.

Others see the eruption of unrest as a response to the government's waning authority. "This is a classic sign of a weak government," says a pessimistic minister.

Peers are well aware of the rumbling divisions among Conservative MPs, which have left some maverick backbenchers willing to oppose the government on almost any issue.

With Mr Major's narrow Commons majority of 17, it is hard to threaten to reverse Lords defeats in the Commons when just nine rebel Conservative MPs can hold the government to ransom.

However, the Lords is hamstrung by the Salisbury rules, named after the Victorian Conservative prime minister, under which peers do not oppose the principle of legislation for which the government has a manifesto mandate.

But feelings are running high, as Lord Whitelaw's intervention showed. For the moment, the cabinet has decided to wait and see what happens. But peers say it is likely to take more than a few minor concessions to get the government off the hook on which it has impaled itself.

Labour claimed yesterday that 12 Conservative MPs will refuse to support the government's plans to impose value added tax on domestic fuel in a vote on the finance bill next week.

Such a rebellion would be enough to ensure victory for a Labour amendment reversing the phased imposition of VAT announced by Mr Norman Lamont, the then chancellor, in last year's March Budget. Mr Gordon Brown, shadow chancellor, said the list was compiled from Conservatives who opposed the measure during the passage of the 1993 Finance Bill or before the November Budget of Mr Kenneth Clarke, the chancellor.

However, the list takes no account of the compensation package included in Mr Clarke's Budget, which is believed to have satisfied many potential rebels. The list was ridiculed by senior Conservatives. Mr Michael Heseltine, trade and industry secretary, said Mr Brown had "nothing better to do all day than think up headlines". Mr Brown said pressure on Tories would be increased by revised Inland Revenue tax codings being despatched this week.

FINANCIAL TIMES
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Saturday January 22 1994

Unpredictable ebbs and flows

US fund managers, when compared with their British counterparts, have tended in the past to be thoroughly parochial. Not any more. Over the past 12 months, analysts have constantly detected American footprints behind successive twists and turns in the global equity and bond markets. Yet there is a paradox here, in that the US ran an estimated deficit on the current account of its balance of payments last year of more than $100bn. That implies that it had to import $100bn from abroad to finance the deficit. How is it that a country importing capital on this scale could be responsible for capital outflows that drove the rest of the world's markets to record levels?

Part of the answer is that the global market in capital now operates on a gigantic scale. Japan remains the biggest global saver, with a current account surplus in 1993 that probably topped $140bn. But the smaller European countries contribute significantly to the pot. Switzerland and Benelux alone run current surpluses not far short of $30bn. And then there are surpluses aplenty in the south-east Asian dragon economies, where the Confucian virtue of thrift has a way of generating high capital exports. If, as seems likely, the outflow of portfolio capital from the US last year amounted to $130bn-$140bn, there will have been equal and opposite flows in the form both of portfolio capital, direct inward investment, short-term finance and so forth from the rest of the world.

Whereas in the 1980s much of the US deficit was bilaterally financed by Japanese investors, the flows are now more diversified. Japanese capital pours into Europe on a bigger scale; European capital goes to the US; and since the global balance of payments has to balance, everything works out in the end except in the official statistics, which fail to capture all the movements. It follows from all this that predicting market trends on the basis of balance of payments capital account movements is becoming increasingly difficult.

Independent logic

The present pattern of international payments is likely to change substantially over the rest of the decade as the US and most other large industrialised countries reduce the structural element of their budget deficits, which are a form of public sector dis-saving. The more normal historical pattern, whereby rich countries export their savings to take advantage of higher returns in the developing world, will reassert itself. But whatever happens to the surpluses and deficits, the portfolio flow will pursue an independent logic, because fund managers, especially in the US, may continue to increase the overseas proportion of their funds.

It is precisely this structural change in the US investment portfolio that has been moving the markets. The money that has poured out of the US banking system and into bond and equity funds has spilled over into foreign markets. More important, US life assurance companies and pension funds have been persuaded of the virtues of diversification and are raising the foreign content of their portfolios in order to reduce risk. S.G. Warburg Securities estimates that if these institutions were to raise their target for foreign assets to 10 per cent of the portfolio, it would generate another $300bn of net purchases of overseas assets, or $60bn a year over five years. That would probably be more than enough to offset a sudden withdrawal of mutual fund money in response to any increase in US short-term interest rates.

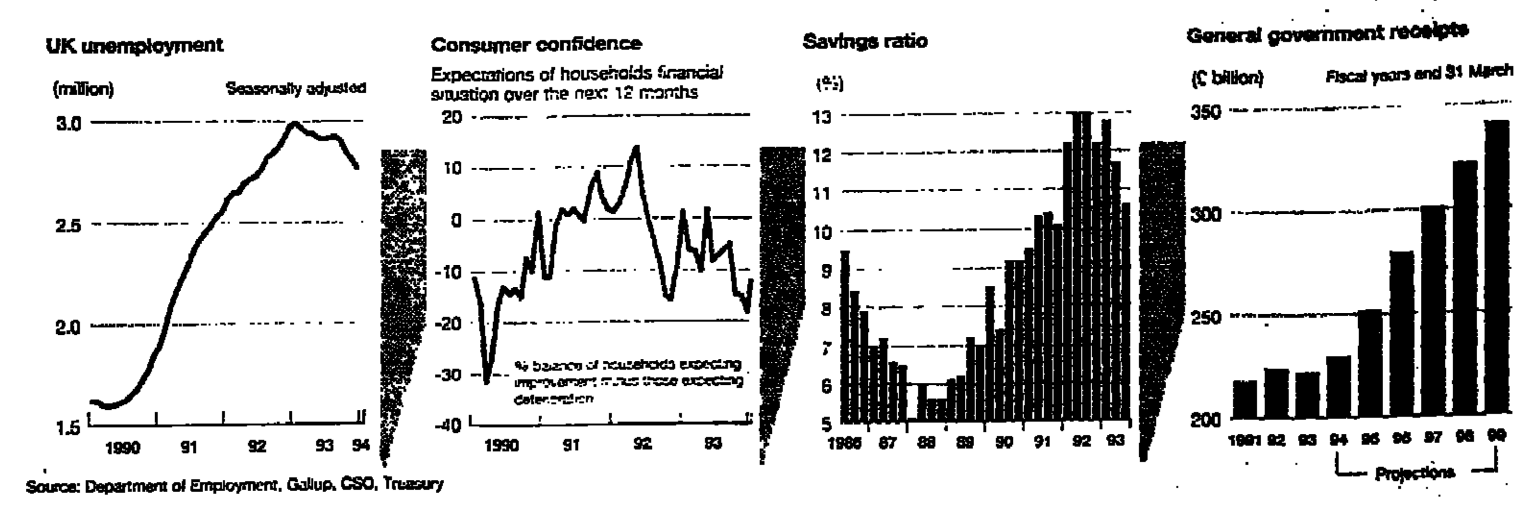
Move markets

Japanese investors are the only other group with an ability to move markets that bears comparison with the Americans. Here again, there has ceased to be any obvious correlation in the 1990s between portfolio flows and the state of the capital account. Despite a current account surplus that has gone from $36bn in 1990 to more than $140bn in 1993, Japanese purchases of foreign bonds and equities were negligible compared with the level of outflow in 1989. But then in the last quarter of 1993 their foreign purchases suddenly rose to more than $30bn, as they realised that they were missing out on the rest of the world's boom when the domestic market was sluggish.

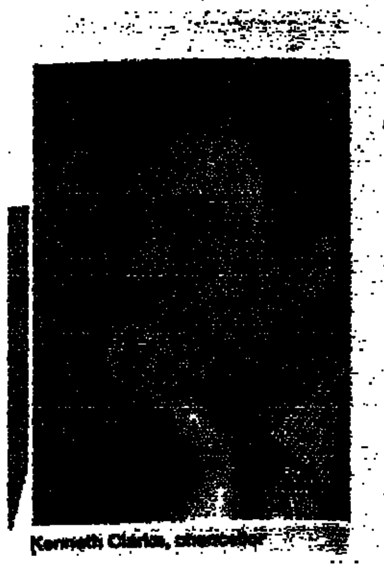
If the Japanese economy starts to recover, the external account will shrink. But Japanese portfolio movements will probably continue to obey a logic that has recently been dictated more by perceptions about economies, currencies and yield differentials than the balance of payments, or arm-twisting by government bureaucrats. It would not be surprising if the outflow of portfolio capital increases in the current year.

There is, of course, an alternative, contrarian, approach to cross-border investment which argues that the foreign investor is usually the greater fool to whom wiser domestic investors sell just before the peak of the market. Certainly that could be argued of the Japanese, who sometimes appear to compensate for their genius in manufacturing by creating bubbles in finance. Maybe their sudden dash for foreign markets late last year should be taken as a warning signal.

Will better economic news boost optimism and bring down savings to offset higher taxes?



Source: Department of Employment, Gallup, CSO, Treasury



Kenneth Clarke, chancellor

Peter Norman says the UK economy is emitting hard-to-decipher signals

A clear case of confusion

Over the past few days, the British economy has flaunted an increasingly familiar mix of the good, the bad and the crazy.

Evidence of a strengthening recovery where price pressures are not an immediate problem is impressive: unemployment dropping below 10 per cent in December; a welcome quickening of manufacturing output growth in November; headline inflation below 2 per cent last year; and yesterday's news that the economy grew by a real, seasonally adjusted 2.5 per cent in the final quarter of last year, compared with the same period of 1992.

On the other hand, a slight decline in retail sales between November and December and a warning from the British Chambers of Commerce that growth might be hitting a "glass ceiling" prompted some to forecast an early worsening of economic conditions.

Financial markets have this month reacted crazily in response to conflicting signals. Ten days ago, news that Mr Kenneth Clarke, the chancellor, had ruled out an early cut in bank base rates from 5.5 per cent triggered a 41.8-point drop in the FT-SE Index. On Wednesday, that decision apparently forgotten, share prices soared as December's mildly disappointing retail sales and a lower-than-expected jump in inflation last month revived hopes of easier money.

Mr Clarke has done his best to calm the mood swings. The recovery, he has said, is steady and strengthening. He has condemned as "absolutely silly" the hailing of good figures one day and bad the next. He has sought to dampen interest rate speculation by stressing the need for a sustainable recovery with growth that is "really going to happen for some years ahead". But the chancellor is the man ultimately responsible for the radical changes of mood. The tax increases announced in November's Budget, on top of those still to take effect from his predecessor Mr Norman Lamont's March Budget, have made all conventional forecasts and projections subject to grave uncertainty.

Nobody knows how the British public will react to April's cocktail of a 1 percentage point jump in employees' national insurance contributions, reduced mortgage interest relief, the lower tax allowance for married couples and the introduction of value-added tax on domestic fuel and power.

The tax increases planned for the financial year starting in April amount to £5.4bn, equivalent to 1.3 per cent of gross domestic product. Add those planned for 1996-97, and the cumulative effect will be 2.5 per cent of GDP, according to this week's report on the Budget from the House of Commons Treasury and Civil Service Committee.

Officials in both the Treasury and Bank of England agonised considerably about the merits of a further interest rate cut before the chancellor met Mr Eddie George, the Bank governor, for the first of their monthly discussions of monetary conditions this year. But by the time the two met on January 12, the reports of strong consumer demand over Christmas coupled with figures pointing to accelerating monetary growth and falling dole queues had persuaded both the Treasury and the Bank to put further monetary easing on hold.

Speaking on BBC Radio Four's *Today* programme, Mr Clarke admitted on Thursday that the increased taxation would "check" the recovery. But he said the upturn was strong enough "to take it in its stride" and "not to be stopped". He also said that more spending power would be going into the economy "just about now" as a result of mortgage interest rate cuts for the 8m borrowers whose rates are changed annually.

The chancellor's claim was a reminder that the tax increases cannot be viewed in isolation from the sharp fall in interest rates from 10 per cent just before the UK's exit from the European exchange rate mechanism in September 1992 to 5.5 per cent last November.

Much will depend upon how savers react to lower rates: and as the accompanying article makes clear, they are a diverse group. The Treasury is banking on a further decline in the savings ratio from 10.6 per cent in the last year's third quarter, as low inflation, recovery in the housing market, falling unemployment and a reduced burden of household debt strengthen consumer confidence. The latest Gallup survey, published yesterday and carried out between January 6 and 18, indicates a sharp increase in optimism about the UK's economic outlook and less pessimism over household finances.

The volatile reactions of financial markets to the past month's economic statistics show that Mr Clarke's goals remain imponderable. He is a ubiquitous politician, but his explanations of policy can sound like saloon bar verities, and it is clear that the markets do not yet know how to read him.

Is he itching to cut interest rates as might befit a son of the industrial Midlands? Or is he, like many others in the Tory party, so scarred by the experience of the late 1980s, when rising inflation forced the government to raise base rates to 15 per cent, that he will do his utmost to avoid putting them up again?

Does his present reluctance to cut rates therefore reflect a fear of having to raise them nearer to the general election that must be fought by the spring of 1997? Or, with the government facing local government elections in May and European elections in June, is Mr Clarke saving the next rate cut for a month or two? He could then hope to hit two birds with one stone by offsetting the contractionary effects of the tax increases, if these have become apparent, while enhancing the feel-good factor among homeowners just before the polls.

Another possibility is that the chancellor, like Mr George, with whom he has established a good working relationship, is genuinely serious about the need to get inflation in the UK firmly under control, and believes that there is some way to go before this has been achieved.

There are plenty of signs that inflation in the UK is tamed rather than defeated. The government's stated goal is to bring the underlying rate of inflation, as measured by the retail prices index less mortgage interest payments, into the lower part of the 1-4 per cent target range by the end of this parliament. To achieve this, policy will have to keep bearing down on inflation. Although this week's news on prices was better than expected, underlying inflation has yet to fall below the 2.5 per cent mid-point of the range.

In resisting pressure for rate cuts in recent days, Mr Clarke made clear he is not a man to be blown off-course. The only problem is that it remains unclear where that course is leading.

When savers don't prosper

Everyone is talking about how wonderful it is that interest rates are coming down. But what about people who took early retirement and invested their lump sum in a building society?" Mr Peter Hutchings, 62, an ex-BTR executive, speaks for many retired people. Over the past two years, he has seen the gross return from his building society account fall from more than 11 to less than 5 per cent.

Government ministers say they receive more complaints when they cut interest rates than when they increase them. It was partly to placate retired savers that the government this week produced a Pensioners Guaranteed Income Bond, offering a fixed rate of 7 per cent paid monthly for five years.

Mr Hutchings is not impressed. Because he is less than 65 years old, he will not be eligible to buy the bond. As he points out: "A lot of people have been retiring early over the last few years" and will not be able to benefit.

Nevertheless, it is likely that the bond, which offers over 1 percentage point more than similar building society products, will attract those who like the security of a government-backed investment. Mr Herbert Maddocks, 77, a former chemical engineer from Chester whose income has fallen as a result of lower rates, says he is impressed by the terms of the bond.

The elderly middle classes, a bedrock Conservative constituency, have not all been hit. Most have corporate pensions, which have steadily increased year by year, offsetting the effect of falling interest rates. Others have diversified into bonds and equities, and have seen their capital rise sharply in value as rates have declined.

However, caution has prevented some from reaping the full benefit. "Our investment income from the building society has dropped a hell of a lot over the past few years," says Mr David Burgoyne, 66, a retired civil servant from Lincolnshire. He has mitigated this by moving some funds into equities, but his wife, concerned about the safety of their capital, persuaded him to limit his share purchases.

Falling interest rates are not the only problem for the retired. The tax increases introduced in the two 1993 Budgets will start to affect their incomes in April, particularly the imposition of VAT on fuel.

Mr Colin Firth, a retired accountant from Lancashire, has had second thoughts about holidays after the effect on his income of interest rate cuts. He calculates VAT on fuel will cost him a further £180 a year – far more than the compensation package announced by chancellor Kenneth Clarke in November. As a result, Mr Firth says he will have to cut back on "luxuries" such as restaurant meals. Mr Burgoyne feels the same way: "We may have to cut back on luxuries such as package holidays and wine."

The government will also be watching the reactions of a different set of savers – those in work. As the tax increases kick in, it hopes consumers will absorb the impact on their incomes by reducing their savings. There is some sign of this already – the savings ratio fell from 11.7 per cent to 10.6 per cent between the second and third quarters of 1993 – but it has a long way to go until it reaches the 5.4 per cent recorded in 1988.

Interest rates on many instant access accounts are now so low that many consumers may decide it is no longer worth saving. But the effects are hard to predict: some people may still be so concerned about the prospects of unemployment that they continue to build up their nest egg.

Philip Coggan

MAN IN THE NEWS: ***Viktor Chernomyrdin***

Roll over, reformers

The acclaimed victor of Russia's elections was the ultra-nationalist Vladimir Zhirinovsky; the less obvious one was Mr Viktor Stepanovich Chernomyrdin.

With the finesse of an astute politician, he had declared himself above politics throughout much of the campaign – holidaying, then taking medical treatment. The result, which gave no political force a dominant position in parliament, was a perfect outcome for him. He continued to hold the prime ministerial post because he stood not for any one of the many different policies trumpeted by the various parties but for a little of each of them.

Unhappy and stumbling when first named prime minister in December 1992, and saddled with radical economists whom he found at best uncongenial, he is now his own man with his own cabinet. If he makes – or can claim – a success over the next year (which many think impossible), he will be in a position to challenge for the presidency. He has shown not a scintilla of ambition for the post: he is not the kind of politician who would.

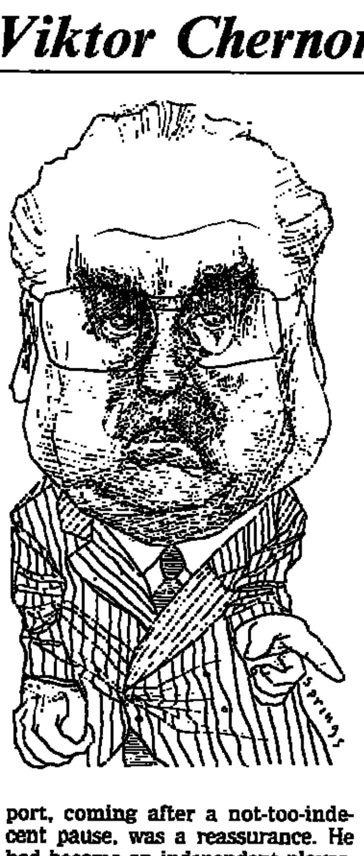
Mr Chernomyrdin was one of the most successful Soviet enterprise managers, rising to the top of the state gas monopoly in 1985, later revamped into a state concern called Gasprom. He controlled what was, after oil, the country's second-largest export earner, on whose gas flow large parts of central and eastern Europe, especially Germany, depended. In May 1992, he was appointed deputy prime minister responsible for energy, when President Boris Yeltsin decided to dilute his radical cabinet with a few old-style industrialists.

When, in December of that year, the pressure on the reformist Mr Yegor Gaidar (then acting prime minister) to resign became irresistible, President Yeltsin cast about for a successor. Mr Chernomyrdin emerged as a favourite, leaping over more obvious candidates. His reputation for decisiveness, for hard work and for belonging to no particular faction propelled him into a seat for which, patently, he was unprepared.

His first appearance was shambolic. He called for a revival of heavy industry and appeared to approve a decree re-imposing state controls on some prices. He then renounced both. Then, a month after his appointment, he made a speech at an international conference which was a model of reformist rhetoric. The radicals, even shorn of Mr Gaidar (then presidential economic adviser), still appeared to have their hands on the economic levers – the more so since Mr Boris Fyodorov was brought back from the World Bank to be a deputy premier in charge of finance.

Throughout 1993, when politics were dominated by the enervating battle between parliament and president, Mr Chernomyrdin tacked cautiously. An unguarded comment before the April referendum to measure support for the president – to the effect that Mr Anatoly Chubais' privatisation campaign was akin Stalin's collectivisation of the peasants – was not repeated. After Mr Yeltsin's victory in the referendum, he adopted the tactic of conspicuous loyalty.

The suppression of parliament demonstrated how his power had increased. When Mr Yeltsin announced that he was banning the assembly, it suddenly became a matter of interest what his prime minister would say. His solid support, coming after a not-too-indecent pause, was a reassurance. He had become an independent player.



As the reformers sought to build on the president's success in banishing his foes, Mr Chernomyrdin faded a little into the background. Yet he managed still to protect Mr Viktor Gerashchenko, the central bank chairman, from being fired, and always to keep a lifeline of credits to the industrial enterprises.

While the election result traumatised the radicals, he, by contrast, calmly began a round of talks with the leaders of all the parties represented in the new parliament. He also gave an interview to Trud, the centrist daily, promising an end to economic shock therapy, and began to bargain for a new cabinet.

Mr Chernomyrdin must have been pleased at Mr Gaidar's surrender; Mr Fyodorov was a tougher nut, refusing to leave. This week the latter sent a stinging letter to Mr Yeltsin, saying the cabinet was sliding back towards communist methods and demanding a commitment to reform, his way. Mr Chernomyrdin ventured neither apology nor commitment, but did offer him a downgraded job as finance minister. After a few days of stand-off, Mr Fyodorov resigned.

What Mr Chernomyrdin will do with his victory will decide the future of the Russian economy. Few seriously accuse him of being a reactionary, but fewer still would suggest he has metamorphosed into a radical. He gives no indication of the extent to which he has imbibed the need to retain – or to put in place – the totems of the radicals: in particular a tight credit policy and rapid privatisation. The best bet is that he will continue to regard inflation as the first enemy and will try to tame it. But he will be a periodic victim to the demands of the industrial lobby and may be unable to tread what Mr Alexander Shokhin, the new economy minister, called "the thin corridor between hyperinflation and industrial collapse".

That corridor grows thinner by the day. The fall of the rouble, temporarily stemmed by central bank intervention, showed a market fearful of the loss of those who had striven to limit credit flows; a market with little faith in either Mr Chernomyrdin or Mr Gerashchenko to continue the struggle.

Decisions such as that to merge the economic systems of Belarus and Russia (in which Mr Chernomyrdin had a personal role), and to spend $500m on a parliament building, are signs of a new confident carelessness with the monetary system. It is not hard to construct a vision of a man pulled further and further into stopgap, anti-inflationary measures – a man forced, as he would see it, to reimpose the price, wage and planning controls to which his instincts would probably guide him. There is a chance that Mr Chernomyrdin will surprise us, but it is as narrow as the corridor down which he must now walk.

John Lloyd

Back to basics, Tokyo-style

William Dawkins says the defeat of reform proposals may herald a return to traditional Japanese coalition politics

Yesterday's fiasco in the Japanese parliament marks a retreat from the experiment that Japan embarked on last summer, when voters elected a government dedicated to shaking up the political system.

Mr Morihiro Hosokawa, leader of the seven-party coalition which five months ago ended 38 years of government by the Liberal Democratic party, was until yesterday afternoon making decisive progress in his campaign to remove the old, corrupt structures of Japanese politics.

The surprise defeat at the final parliamentary hurdle of his plans to overhaul the political system, means the changes will be watered down and the balance of power will shift away from the coalition and back towards the LDP.

Mr Hosokawa's survival now depends on his ability to strike a deal with his LDP enemies – who also happen to be former colleagues – on the plans to curb political funding and scrap Japan's unique and scandal-prone system of multi-seat constituencies.

His biggest coalition partner, the Social Democratic party, accidental architect of yesterday's setback, can no longer be relied upon and is unlikely to tolerate a deal with its arch-enemies in the LDP. The socialists are, in any case, on the point of collapse after yesterday's humiliating defection of 17 members, who crossed the floor to vote against the government because they feared the proposed new electoral system would spell the end of their party.

At the very least, the 17 defectors will be expelled from the party. On top of this, the socialists' leader, Mr Tomiichi Murayama, hinted he may resign. "The party's responsibility is grave," he said, in what must seemed to many like an ironic understatement.

Now that the socialists have proved a real liability, the parliamentary majority of Mr Hosokawa's centre-right coalition is threatened and he needs to find new allies. It is unclear what kind of grouping will succeed Mr Hosokawa's alliance to face a general election likely in the next few months. But political observers believe it will resemble the LDP – itself a coalition of factions – if not be controlled by it. It is also likely to include Mr Hosokawa. His straight-talking style and authoritative air as scion of a famous Samurai family, has earned him a 60 per cent rating in recent polls – a valuable electoral asset at a time when the image of his profession is otherwise battered.

Mr Hosokawa is not the only one to have lost a big gamble. Yesterday was a setback for Mr Ichiro Ozawa, the "shadow shogun" of the coalition, whose departure from the LDP last summer helped precipitate its downfall. He has been working ever since to destroy his old party as part of his strategy to build a new power base.

Hosokawa's survival now depends on his ability to strike a deal with his LDP enemies

Japan's political experiment has thus moved back more or less to where it started, just at the moment when it was poised to achieve results. Japanese television viewers could be forgiven for disbelieving their ears yesterday evening when the NHK public network interrupted the final minutes of the new year national sumo tournament to broadcast a press conference by a stern-faced Mr Hosokawa.

Everyone knew the upper house vote would be close, but few had predicted that Mr Hosokawa's plans would fare so badly, given that the lower house – the more powerful of the two chambers – gave its blessing two months ago. Even the LDP was surprised by the size of the margin – 130 votes against 118.

"This was completely unexpected. The coalition thought it could do everything by sheer weight of numbers and by force. That is not the usual procedure. That is why it had a revolt," said Mr Kaoru Yosano, an LDP member of parliament.

Mr Hosokawa has vowed to battle on, to try to negotiate some kind of reform with the LDP in the few days left before the parliamentary session closes on January 29. If he fails to pull off a deal by then, his government will fall, along with its reform plans.

The LDP will drive a hard bargain. "There is strong opposition in the party to even discussing a compromise. We have been shamed publicly too many times," said Mr Yosano. At the same time, the LDP leadership does not want to damage the party's already weak public popularity by killing reform entirely. "I strongly feel we must do something to regain people's trust," said Mr Yohei Kono, the LDP president.

Mr Hosokawa said yesterday his next step would be to set up a joint panel of the upper and lower houses, with 10 members from each chamber, to hammer out a compromise. Under article 59 of the constitution, the panel needs a two-thirds majority for an accord and then to pass the revised plans to both chambers for approval by simple majority. Mr Hosokawa's chances of doing all this by the end-of-the-month deadline are slim. If he fails, he would face the choice of disbanding the cabinet, possibly with a view to re-forming it with LDP help, or calling an election.

With Mr Hosokawa still keen to push ahead with reform, and neither side keen on an election, the government is in no position to refuse the LDP's terms. "The coalition is ready to accept all revisions of the package earlier proposed by the LDP to prevent further confusion," said Mr Yuichi Ichikawa, a close ally of Mr Ozawa and secretary-general of the Clean Government party, an influential group in the ruling coalition.

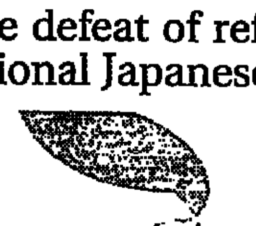
Negotiations will centre on the coalition's plan to reduce the size of the lower house from the present 511 seats to 500, of which 274 would be elected from single-seat districts and 226 by proportional representation.

The aim is to reduce the temptation for politicians to shower voters with cash and favours – such as unnecessary motorways and bridges – to win votes, and to increase the scope for competing on the quality of policy ideas. Under the plan donations to individual politicians would be banned (although donations to political parties would be permitted); the plan also proposes a Y30.9bn a year public subsidy for parties.

Officially, the LDP leadership supports the general principle of scrapping multi-seat constituencies, though some of its older members privately fear that they will lose seats, some of which are dependent on generations of careful local patronage.

The main changes sought by the LDP will be to increase the number of single-seat constituencies, to divide the proposed single national proportional representation district into several regional constituencies, and to allow political donations to individual politicians. Crucially, these changes would improve the LDP's chances of winning the next election, because they suit a large party with efficient and rich local organisations.

Mr Hosokawa's future is uncertain and dependent on his success in the frenetic bargaining in the weeks to come. However if, as seems likely, the LDP manages to impose its will on the reform plans, Japan looks set to revert to something like its traditional form of government – a broad coalition of centre-right groups – but under a different political system.



Morihiro Hosokawa

Countdown to reform

1993

- **Jun 18:** Liberal Democratic party government of prime minister Kiichi Miyazawa fails to survive no confidence vote. Miyazawa dissolves the lower house of parliament and calls a general election
- **Jun 22:** Tsutomu Hata, now foreign minister, and Ichiro Ozawa, former LDP secretary-general, and 42 other LDP members, leave the LDP
- **Jun 23:** Japan Renewal party, lead by Hata, is established, with 44 former LDP members
- **Jul 18:** LDP loses general election
- **Jul 29:** Seven parties agree to establish a coalition government, under Morihiro Hosokawa, head of New Japan party
- **Aug 6:** Hosokawa is selected as prime minister and forms cabinet three days later
- **Aug 27:** Coalition agrees on draft of political reform bills
- **Sep 17:** Extraordinary 90-day session of parliament opens to decide on reform
- **Nov 16:** Hosokawa and Yohei Kono, LDP president, meet but fail to reach a compromise. Lower house special committee on political reform passes draft bills
- **Nov 18:** Lower house passes draft bills
- **Dec 15:** Hosokawa obtains 45-day extension of parliamentary session, to January 29

1994

- **Jan 20:** Upper house committee for political reform passes draft bills
- **Jan 21:** Upper house rejects bills

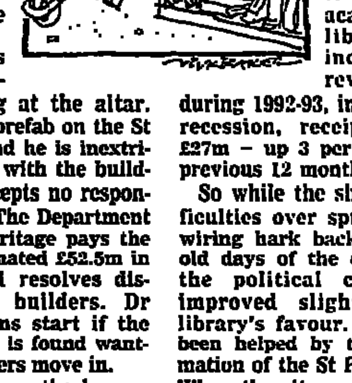
Antony Thorncroft on the latest twist in the saga of the British Library construction project

Epic tale with long shelf-life

First it was the shelving, which scattered books and documents into open space: then the wiring, which short circuited. Now it is the sprinklers, which seem susceptible to rust. The construction of the new British Library, one of the UK's biggest postwar building projects at an estimated cost of £450m, seems to be becoming a metaphor for a nation in decline.

The saga of the library is a story of bureaucratic bumbling. The architect, Colin St John (Sandy) Wilson, made his first tentative sketches for a modernist Behemoth, softened by red brick, in 1962. The go-ahead for a project, costed at £116m, came from Shirley [now Baroness] Williams in 1978. Margaret [now Baroness] Thatcher, influenced by the fact that her old Oxford chemistry professor Fred Dainton was a leading advocate, finally gave her approval 10 years later – although she caved in to Treasury pressure and agreed a scheme which halved the size of the library, and added only 74 extra seats to make a total of 1,176.

As the projected costs have increased so have the delays, and now Dr Brian Lang, chief executive of the library since 1991, is reluctant to commit himself to a definite opening date. However, if the problems over the wiring can be resolved, he is still hopeful of taking possession early next year and welcoming the public in 1996.



Dr Lang is like a bridegroom waiting at the altar. His office is a prefab on the St Pancras site and he is inextricably involved with the building, but he accepts no responsibility for it. The Department of National Heritage pays the bills – an estimated £52.5m in 1994-95 – and resolves disputes among builders. Dr Lang's problems start if the British Library is found wanting when its users move in.

Until the new setback over the sprinklers, which could take six months to put right at an extra cost of £250,000, Dr Lang was feeling mildly optimistic. Indeed there were plans to promote to the media a new, on-target, building, and to take down the protective barrier on the Euston Road, allowing the public to see the attractive Italian piazza which leads to the library.

The confusion during the early stages of construction over the management of the site had been much simplified when the formerly government-owned Property Services Agency was privatised in 1992, and bought by construction group Tarmac. The PSA had interfered constantly with its appointed site manager, Laing, while only co-operating fitfully with the then Office of Arts and Libraries, the ministry responsible for the scheme. In the same year the OAL disappeared into the weightier Department of National Heritage. A project director was appointed and Dr Lang says "things are now much better".

At the same time the government seems to have decided that so much had been invested in the library that it might as well finish it. The new minister at the Heritage Department, Peter Brooke, was more of a books man than his predecessor.

This has caused some anguish in the wider arts world which believes that the funding of orchestras, theatres and dance groups has been sacrificed for the mountain of bricks on the Euston Road. Mr Brooke found an extra £16.5m from his department's budget for building costs in 1994-95, and the annual grant-in-aid for day-to-day running of the British Library has risen from £72.1m to £80.4m. But another of his responsibilities, the Arts Council, paymaster to the performing arts, suffered its first ever cut in funding, of £3.2m.

To justify the rise in the British Library grant, Dr Lang cites the additional costs that is likely as it prepares to move out of its old home in the British Museum, and 18 other buildings in London. He cannot yet tackle the task of transporting 12m books into St Pancras. But he has pushed through the completion of the British Library's northern base at Boston Spa, near York, which will house 6m books; proceeded with automating the cataloguing system; and is attempting to dispose of the surplus buildings in London. At the St Pancras site, he contents himself with devising furniture layouts.

Boston Spa enables Dr Lang to keep the Treasury sweet. By selling information to business and academia, the library has increased its revenues, and during 1992-93, in spite of the recession, receipts reached £27m – up 3 per cent on the previous 12 months.

So while the short-term difficulties over sprinklers and wiring hark back to the bad old days of the development, the political climate has improved slightly in the library's favour. It has also been helped by the transformation of the St Pancras area. When the site was selected it was a wasteland. But the adjacent St Pancras Hotel, a Grade One listed Victorian building, is being refurbished as offices and will act as a sympathetically towered partner to the library.

Dr Lang is hoping that money from the planned UK national lottery will pay for a visitor centre, a home for the National Sound Archive, and a bindery – enabling the British Library to attract an estimated 1m visitors a year.

But the history of the library is a tale of hopes confounded. When it eventually opens, the complaints may start as scholars, unhappy about being decanted from Panizzi's beautifully domed room in the British Museum, fight over the 150 terminals which will give access to behind-the-scenes staff who will supply books and documents through a mechanical delivery system. More obscure books will still be kept in Boston Spa, where the cost of storing a book is 50p a year compared with £1.50p at St Pancras. But the distance means at least a two-hour delivery time to London. The library will remain a cultural football for decades to come.

Louise Kehoe on relief co-ordination in LA

Picking themselves up, dusting themselves off

Arnold Newman considers himself fortunate. "No tears have been shed in my family," he says. His hillside home in Sherman Oaks, a suburban community in the San Fernando Valley, north of Los Angeles, is still standing. His wife and eight-year-old daughter are alive.

Like tens of thousands of residents of Los Angeles, however, the Newmans' lives were torn apart by this Monday's pre-dawn earthquake. On Thursday, they joined about 500 others outside the Van Nuys Recreation Center to wait for the opening of an emergency aid centre set up by the Federal Emergency Management Agency (Fema).

The Newmans need help. Their home is still standing, but the earthquake damaged the roof, ripped plumbing from the walls and wrecked the interior. Mr Newman's business – a pet store in a local shopping centre – was also hit. "We are being allowed in to feed and water the animals, but that is all." City officials have closed the shopping centre, pending an inspection by engineers.

But Mr Newman's hopes are high: he believes he might qualify for a small business low-interest loan. He is encouraged by reports that the Clinton administration will "cut through bureaucratic red tape" and start writing cheques within the next seven to 10 days to people in need.

"I have to pay staff salaries, and for clean-up crews, and buy new stock. I am out of business unless I can get help here. And perhaps they can help me to make the house livable," he adds. Since the earthquake, the Newmans have been sleeping in their car.

Inside the makeshift emergency centre, one of 11 that has been opened in Los Angeles, officials from a myriad of public agencies – federal, state, county, city and local – are setting up tables and stacking application forms. All the agencies should work together, President Bill Clinton urged during his visit to Los Angeles this week.

James Lee Witt, head of Fema, which is spearheading the relief co-ordination effort, is determined to avoid the confusion and delays for which the agency has been widely criticised in the past. Months after the Loma Prieta earthquake that hit the San Francisco area in 1989, victims were still waiting for aid.

Already, he has announced plans to advance emergency funds to victims of about $400m. Next week, he promises, the administration will seek congressional approval for a "supplementary appropriation" likely to be billions of dollars. First, however, he must have "a realistic assessment of losses".

Making that assessment is not easy. Insurance industry experts suggest that total property losses may top $7bn. California Governor Pete Wilson has suggested a "ballpark" figure of $15bn to $30bn.

Mr Witt's priority is to provide emergency help for about 20,000 people sleeping in city parks and cars. Working with the Red Cross, Fema is setting up temporary shelters in schools, churches and any suitable building still standing.

Water supply systems come next. Two large aqueducts that bring water into the San Fernando Valley have ruptured. Mains have cracked and pipes are broken in thousands of places. It may be weeks before full service is restored and months before the water supply system is repaired.

"After we solve the distribution of water, housing is going to be the most pressing human problem," Mr Witt predicts. Thousands of Los Angeles residents have found temporary accommodation in the homes of relatives and friends, and so the full extent of the problem is unclear.

Schools, hospitals and other public buildings also need attention. About 100 schools are badly damaged; public libraries are teetering and government offices wrecked. "We have got to get the children back to school," says Senator Barbara Boxer, "so that they can begin to see some normalcy in their lives." Three hospitals have shut.

Highways and bridges have collapsed. Already, work has begun on demolishing sections of the Santa Monica and Golden State freeways. But it will take a year to rebuild them, state officials say. Few believe such optimistic projections: repairs to highways have yet to be completed four and a half years after the Loma Prieta quake.

While the immediate needs are obvious, the long-term effects of the earthquake on southern California's economy are more difficult to assess. Already suffering from the cuts to its vital defence industry after the end of the cold war, the 1992 riots and last summer's fires, Los Angeles has had more than its share of recent misfortume.

Tourism, an $8.25bn industry in the Los Angeles area, is expected to take the hardest hit as visitors go elsewhere. However, attractions such as Disneyland and Universal Studios were back in operation 24 hours after the earthquake and only 450 of the 91,000 hotel rooms in the region are uninhabitable, say tourism officials.

Co-ordination among government agencies – whether it be advising would-be visitors or handing out emergency aid – will be crucial in the months ahead. So far, it is going well, officials say. "I've never seen better co-operation between different levels of government," says Governor Wilson.

Yet Dick Andrews, director of the State Office of Emergency Services, says there will be many difficulties. "There are tangible actions that are taken in the first hours and days after a disaster. People can see their government in action. Then the problems become more intractable. There is a tremendous opportunity for all of us to begin to find fault with the efforts of others."

AP

Target for emergency help: 20,000 are sleeping in parks or cars

Frustration and fear form a volatile mix. Many people leaving the emergency centre in Van Nuys on Thursday are angry. "All we got is an application form and an appointment to come back next week. What good is that?" complains one man. "They just don't understand. How am I going to feed the baby?" cries a young mother.

For Larry Newman, however, the visit is worthwhile. He will fill in the loan application and hope for the best. In the meantime, talking about his experiences seems to help. "It took us almost 20 seconds to get out of the bedroom. We were bouncing off the walls. We had broken toes and bloody feet – from the broken glass."

In the early-morning light, he and his family became aware of the devastation. The three-storey house on top of the hill had collapsed to one storey. Their neighbours, miraculously, were unscathed.

Others were not so lucky. Two other homes had slipped down the hill. Firemen were attempting to extricate a trapped woman. "I asked if I could help and they said fine, so long as I didn't let her know that her husband and child were dead. We are so grateful to be alive," says Mr Newman.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

The market must decide

From Ms Katerina Polyzogopoulou.

Sir, There is no doubt that the Elgin marbles "housed in a museum (British) which is universal in its scope…", "constitute one of the greatest and best-loved of its treasures" (Hawks & Handsaws, January 15).

Personally, I am glad to admire them wherever they are. But I'm not quite convinced about the method of payment the article proposes, "if" the Greeks were to buy them back. This is because, as it appears from your text, the British do not seem to know if the Greek marbles were rescued by Lord Elgin (according to the the British Museum's statement), or purchased, as Dr Susan Walker, assistant keeper of Greek and Roman antiquities at the British Museum, is quoted as suggesting.

I therefore propose that we should let the price of the marbles be fixed according to whether the marbles were rescued, purchased, or stolen by Lord Elgin, as history admits.

Let's get real, this should be the only criterion for both parties involved (olives, feta cheese and the three islands demanded in your article shall be gratis to the British because, thank God, we have plenty of each).

I'm afraid this is how the "market" works.

Katerina Polyzogopoulou,
Skoufa 60A,
10680 Athens, Greece

A workload that is overload

From Mr Colin Grant-Wilson.

Sir, May I add a footnote to Peter Bonfield's Personal View ("If I were a government minister…", January 19). Someone really ought to point out to the prime minister that very few successful chief executives in business operate with more than 10 direct reports. I believe the prime minister currently has around three times that number.

Colin-Grant-Wilson,
managing director,
Lease Plan UK,
Thames Side,
Windsor, Berks SL4 1TY

Focus on student legislation

From Mr N McWhirter and Mr G Riddick MP.

Sir, Your report, "Education bill stalled by angry Tory peers" (January 17), overlooks the main deficiency of the government's proposed legislation on student unions – that it concentrates more on the question of funding than on the question of voluntary membership which lies at the heart of the issue. Students are currently forced to belong to college unions which engage in partisan and politically contentious activities.

Only a small proportion of political abuses by student unions involves significant financial expenditure. For example, in the run-up to the 1992 general election, both the National Union of Students and individual student unions carried out the "Target 70 campaign" designed to help defeat Conservative candidates in 70 marginal constituencies. As the then NUS president, Stephen Twigg, stated: "Let's work together, united on this campaign. The government is our enemy." *(The London Student,* February 27 1992).

In the recent past, more than 200 Conservative MPs and an overwhelming majority of the public, as shown in opinion polls, have backed the proposition that individual students should have the right to belong or not to belong to a student union. It is this widespread opinion which initially prompted reform – and which needs to be reflected in the bill. Only when individual students have the right to "vote with their feet" by walking away from politically partisan college unions will most of the abuses be ended.

This need not mean that college authorities must take over the provision of student facilities. The education bill would be improved if it provided for the establishment of a facilities association which would offer only those services which a college would supply if it were responsible for student facilities. The bill should also provide for separate student unions, not in receipt of public money and staffed by different personnel, and with membership being voluntary.

It has wrongly been claimed by opponents of the bill that political abuse is a thing of the past. Yet, in recent years, there has been a catalogue of union discrimination against Conservative student associations in such universities as Lancaster and Bradford.

The focus of the bill should be upon student democracy and the voluntary principle, rather than funding.

Norris McWhirter,
Graham Riddick,
The Freedom Association,
35 Westminster Bridge Road,
London SE1 7JB

Great waste

From Mr William Wallace.

Sir, You report ("Transport executives win aid for rail sell-off costs", January 15/16) that the Department of Transport is to make available grants to passenger transport executives which will "continue indefinitely… to offset the extra costs caused by railway privatisation".

Can someone remind me why railway privatisation was thought to be such a good idea? I can only remember two reasons: first, that it was impossible to make any more public money available for railway subsidies; second, that privatisation would reduce costs through efficiency gains. If neither argument now applies, a great deal of public money is being spent on reorganisation to no public benefit.

William Wallace,
49 St James's Drive,
Wandsworth Common,
London SW17 7RN

No respect for language

From Mrs Julia Spencer.

Sir, I hasten to respond to Ms Sylvia Webb's letter (January 17) about Americanisms in books by British authors.

As the (British) author of a forthcoming book for a (British) professional body, I was distressed to receive a catalog (sic) from my publishers, describing the book I have allegedly "authored". When I took issue with this usage, my complaint was dismissed on the grounds that the US is the largest single market for English-language textbooks. (The fact that "written" would have been equally acceptable on both sides of the Atlantic was disregarded.)

Ironically, the textbook is on international marketing – a basic tenet of which is respect for the language and culture of one's market.

Julia Spencer,
14 The Grove,
Palmers Green,
London N13 5LG

A victory endangered by defeat

From Mr Nigel de Gruchy.

Sir, It is ironic that the NUT teaching union should accuse other unions of "breaking the unity" over the teacher boycott ("Pressure on Patten eases as two unions lift boycott", January 15). All the other five teacher unions agree a famous victory has been secured for the teaching profession. Huge changes have been secured to the national curriculum testing and assessment system to slim down the workloads.

If any "confusion" is created it will be in the minds of parents and the public unable to comprehend why one union cannot acknowledge the enormous progress that has been made and respond accordingly.

Recent history has some sad, if spectacular, examples of defeat being snatched from the jaws of victory by unending industrial action in pursuit of the total capitulation of the other side.

Nigel de Gruchy,
general secretary,
NASUWT,
5 King Street,
Covent Garden, London WC2

COMPANY NEWS: UK

Midland Independent plans March flotation

By Raymond Snoddy

Sir Norman Fowler: likely to resign as Tory party chairman

Midland Independent Newspapers, publisher of the Birmingham Post and Mail and the Coventry Evening Telegraph, has decided on a March Stock Exchange flotation.

The MIN board is believed to have taken the decision yesterday and an announcement is expected next week.

The decision to go ahead with the flotation makes it very likely that Sir Norman Fowler, chairman of the newspaper group, will give up the chairmanship of the Conservative party later this year to concentrate on his business career.

A chairman of a publicly quoted company is unable to be a Cabinet member. Sir Norman has committed himself to MIN for the forseeable future and he is therefore expected to give up the party chairmanship after the local and European elections.

It is unclear exactly how much of the company, taken over from Mr Ralph Ingersoll by a management buy-out team led by Mr Chris Oakley in 1991, is going to be sold but it is likely to be between 30 per cent and 40 per cent.

Since the purchase, for £125m, the company has been expanding throughout the Midlands.

The flotation should make paper millionaires of the management team of six who organised the buy-out.

The group publishes a total of 31 newspapers and a number of weekly specialist titles and regional magazines. In the six months to June it made operating profits of £7.8m on turnover of £37.7m.

Turnover for the full year will probably top £70m.

MIN has been considering going to the market for some time but was holding off because of uncertainties over the government's attitude to VAT on newspapers.

Setting aside interest charges flowing from the original purchase, MIN has nearly trebled operating profit in the period since Mr Ingersoll sold the business.

The group's four main paid-for titles are the Birmingham Post, the Sunday Mercury, the Birmingham Evening Mail and the Coventry Evening Telegraph.

Decision soon on Independent future

By Raymond Snoddy

The future of Newspaper Publishing, the publisher of the Independent and Independent on Sunday, may be decided next week.

A board meeting scheduled for Thursday is becoming an effective deadline for the submission of formal bids and offers.

There is a growing realisation that further delay could damage both the credibility and future of the newspaper group which is believed to be currently losing about £1.5m a year.

At the same time, considerable efforts are being made to calm staff fears about the editorial implications of Mirror Group Newspapers taking a substantial minority stake in the group.

The plan being negotiated by a consortium led by the paper's principal founder, Mr Andreas Whittam Smith, envisages MGN taking a 40 per cent stake. The continental investors, El Pais and La Repubblica, would increase their stake to 51 per cent with the founders holding the remaining block.

The deal would consolidate the position of Mr Whittam Smith who would remain editor-in-chief. To remove fears of editorial interference it is believed that MGN has agreed that it will not vote on either the removal or appointment of editors.

The proposed board structure would also give MGN only two directors out of seven. El Pais would have two directors as would La Repubblica. The final directorship would go to a founder of the company, almost certainly Mr Whittam Smith.

If a deal is finally agreed with MGN, a proposal will go forward to Thursday's board meeting. Mr Ian Hay Davison, Newspaper Publishing chairman, has made it clear he hopes to be able to put an alternative offer on the table for the future funding of the paper.

Mr Tony O'Reilly's Independent Newspapers group is expected to confirm a bid for up to 29.9 per cent of the company.

The Irish group, which has only tiny newspaper interests in the UK, would probably have less problem getting early agreement from the Monopolies and Mergers Commission than MGN, which already owns three national newspapers in the UK.

● Mr Vincent Browne, editor and a minority shareholder of Dublin's Sunday Tribune newspaper, in which Independent Newspapers has a 29.9 per cent stake, has been ousted following a board meeting on Thursday, writes Tim Coone.

No reason was given for his dismissal, which is bad publicity for Mr O'Reilly, but the paper has been suffering from declining circulation and mounting losses.

Sales of hampers advance 16% over 'crucial' Christmas period

Park Food's seasonal loss rises

By Simon Davies

Park Food Group, which specialises in the sale of Christmas hampers, yesterday announced an increase in losses for the six months to September 30, due to the seasonal nature of its business. However, it revealed positive news on Christmas sales.

Pre-tax losses were £4.74m, compared with £3.22m, as a result of higher expenditure on marketing in the run-up to Christmas.

Turnover advanced 26 per cent to £11.5m (£9.1m). There were stronger contributions from two peripheral businesses which produce airline travel kits and cash vouchers for high street stores.

Mr Peter Johnson, chairman and a front-runner in the battle for Everton football club, said that hamper sales, which account for 75 per cent of group turnover, increased by 16 per cent over the crucial Christmas period.

The company claims a share of almost 40 per cent of the £300m UK market for hampers.

Mr Johnson said firm orders were already up by 20 per cent so far this year. "I am confident that profits for the full year will show a satisfactory improvement."

His optimism was demonstrated by a 25 per cent increase in the interim dividend to 2.5p. Directors are also recommending a 2-for-1 scrip issue.

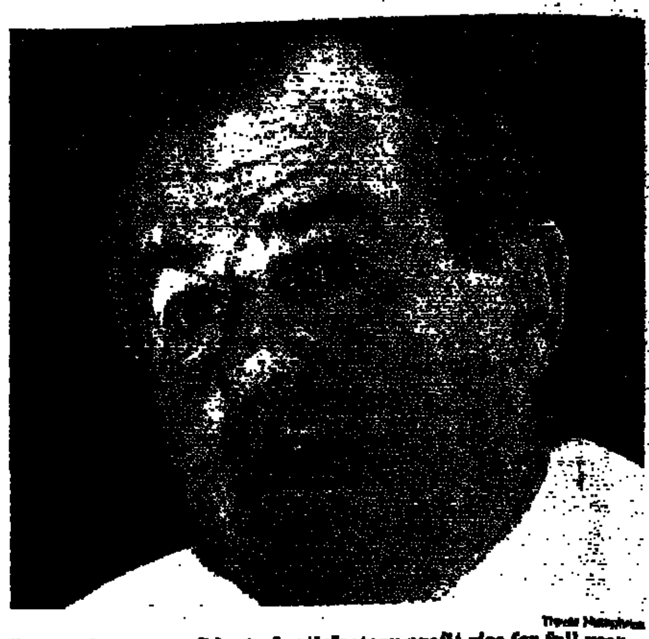
In the second half of the year, Park Food will gain a maiden contribution from Handling Solutions, the promotions management company acquired in mid-December for £9.3m.

Handling Solutions made a profit of £1.8m for the year to October 1993. With financing costs of 4 per cent for the £8.5m cash portion of the acquisition, the company said it would produce a positive contribution for the three months to March 1994.

The company, which is involved in promotional services, direct mail, packaging and distribution, should also provide synergistic benefits.

Park Food has no gearing, and benefits from interest on substantial cash balances from mail-order clients. At the interim stage net interest received was £1.06m (£1.37m).

Mr Johnson said he would not rule out further acquisitions this year.



Trevor Humphries

Peter Johnson: confident of satisfactory profit rise for full year

EGM agrees new financial flexibilty for Kalamazoo

By Paul Cheeseright, Midlands Correspondent

Kalamazoo Trust, the traditional majority holder of the equity in Kalamazoo, the computer services and printing systems company, yesterday agreed to the erosion of its control at an extraordinary meeting in Birmingham.

Directors of the company, given new financial flexibility, are now likely to make acquisitions of computer services companies in continental Europe. One purchase will probably be completed shortly.

The Trust, once known as the Kalamazoo Workers' Alliance, has held 51.5 per cent of the company's equity on behalf of the employees since 1971. It was set up in 1948 by the Morland and Impey families and endowed with 39 per cent of the equity. The original purpose was for the employees eventually to obtain outright control.

The employees' equity is now likely to be diluted over the medium term to about 45 per cent, as a result of decisions taken at the EGM.

Directors now have the power to issue shares up to the equivalent of 5 per cent of the share capital. This will enable them to use paper as well as cash to make acquisitions. The present board is anxious to take advantage of sluggish markets in Europe to broaden its continental base.

The equity change comes against the background of a shift in emphasis at Kalamazoo from printing systems to computer services. This has produced a recovery in profits and encouraged the shares to rise this year from 26p to a high of 116p, where they closed unchanged yesterday.

The EGM also agreed to a thrift plan allowing present and former employees to save for the purchase of shares, with the company awarding one share for every one bought. It approved share option schemes for senior managers.

Company directors have been negotiating for a dilution of the trust's equity for at least three years, but latterly there has been some opposition.

The end is nigh for Bank of Edinburgh

By John Gapper, Banking Editor

Bank of Edinburgh, a vehicle set up by three years ago to acquire small and medium-sized building societies, is close to being wound up at a substantial loss after its failure to take over any societies.

Bank of Edinburgh has been searching for new owners after its shareholders, led by Scottish Amicable, asked to withdraw following the collapse of its attempt to take over the Heart of England Building Society last March.

The Bank of England disclosed yesterday that the bank had given up its banking licence. This was used to raise a small amount of deposits, and to earn money by lending the bank's £5.9m capital and liabilities to other banks.

Mr Russell Frith, finance director of the bank, said it had not yet decided to close. "We have decided that we must either find a new parent, or return the money to the existing shareholders."

In its last published accounts, for 1992, the bank had some £5.2m of capital remaining from the £8m it drew from institutional investors. The failure of the Heart of England bid led to a £1.58m write-down of capital.

After repaying deposits to about 60 depositors, the bank is expected to be able to repay only about half the capital it drew. Apart from Scottish Amicable, other investors include life insurance companies and venture capital groups.

The bank gained a licence when it took over the banking arm of Goode Durrant, the financial services company, in 1992. Its original intention was to acquire a number of societies and merge them into a single financial services group.

Single premium side ahead at Allied Dunbar

By Alison Smith

Allied Dunbar, one of the 10 largest UK life insurance companies, yesterday announced its new business figures for 1993, showing steady growth in single premium business.

The figures reflected the pattern elsewhere in the life industry, with single premium business gaining, while annual premium business fell back, as economic uncertainties such as fear of unemployment have made people more reluctant to commit themselves to long-term policies.

Allied Dunbar's new single premiums rose sharply from £631m in 1992 to £865m.

Within that total, however, there was a switch of business, as single premium investments rose by 79 per cent to £548.6m (£307m), but single premium pensions fell slightly from £323.5m to £315.8m.

New annual premiums also dropped slightly, from £162.1m to £158.5m.

New critical illness cover almost doubled, from £887m in 1992 to £1.62bn. The company said the rise suggested a market trend towards buying life and critical illness together, rather than buying just life cover.

The company, which is a subsidiary of BAT Industries, attributed much of the overall increase to its direct sales force, which numbers some 4,200 sales agents.

National Mutual Life, a pensions specialist which markets entirely through independent financial advisers, said yesterday that its new business had risen to £236.1m, compared with £133.9m in 1992.

There was a particularly steep increase in its single premium new business from £87.5m to £151.8m. Its regular premium new business also rose, from £16m to £27.2m.

BAT to cut 700 US tobacco jobs

By Philip Rawstorne

Brown & Williamson, BAT Industries' US tobacco subsidiary, is to cut 700 jobs in a drive to maintain its competitive position in the US domestic market.

The restructuring – a response to the cigarette price wars begun last year by Philip Morris's decision to lower the price of Marlboro – will result in a £45m charge against BAT's 1993 profits.

BAT said it expected to recoup the investment through increased profitability over the next two years.

The reorganisation, which follows a review by McKinsey, the management consultants, will streamline sales, marketing and administration. The sales force will be reduced by 35 per cent and 20 per cent of the Louisville headquarters staff will go.

B&W expects the programme to be completed by the end of March.

Zeneca sees recovery in UK and US

Healthcare markets in continental Europe remain depressed, while those in the UK and US are gradually recovering, according to Zeneca, the pharmaceuticals company, writes Daniel Green.

In its first quarterly trading statement since its demerger last summer from ICI, it paints a broadly positive picture of its own trading in the second half of 1993. All three of its businesses, pharmaceuticals, agrochemicals and seeds, and specialities, contributed to an improvement over the second half of 1992.

Sales on the pharmaceuticals side improved, in spite of the continuing decline of Tenormin, a heart treatment that was once easily the company's best selling drug. Tenormin's US patents have run out and it is now subject to competition from generic alternatives.

Pharmaceutical profits are expected to be slightly higher in the second half. Agrochemicals and seeds continued to be depressed by the reform of the European Union's agriculture policy, although there has been growth in southern hemisphere markets.

NEWS DIGEST

LPA Inds declines to £0.07m

LPA Industries, the industrial electrical components company, suffered a fall from £477,000 to £66,000 in pre-tax profits for the year to September 30.

Mr Michael Rusch, chairman of this USM-quoted company, said demand for general industrial products remained extremely depressed and all group companies experienced reduced sales and pre-tax profits.

The company is seeking to sell its Acrokool drinking water fountain manufacturing subsidiary. Mr Rusch said that LPA was not equipped to the give the company the input required.

"We learned that the refrigeration industry operates very differently to our main core business and that Acrokool's future would be much better served with a more suitable partner."

He added that talks were being held with a potential purchaser.

Turnover fell 16 per cent to £5.22m (£6.24m).

Earnings per share declined from 3.53p to 0.44p and the proposed final dividend is cut to 0.8p for a total of 2.45p (3.52p).

James Smith buys shopping centre

James Smith Estates is to acquire the Westway Shopping Centre at Botley, Oxford, from Southend Property Holdings for £4.83m cash, satisfied by bank and other borrowings.

The centre comprises 21 shop units and two supermarkets with a total floor area of about 40,689 sq ft. The property also comprises two small office suites and 12 residential units.

Current annual income from the property is £458,000, representing a net initial yield of 9.25 per cent.

Compensation for Dobson Park chief

Annual accounts of Dobson Park Industries, the industrial electronics, mining equipment and toys and plastics group, show that Mr Oliver Chapple, the former chief executive who resigned last June, received compensation of £200,000.

Mr Chapple replaced Mr Howard Poulson as chief executive of Volex last October.

Malvern UK Index Trust value lags

Malvern UK Index Trust, the UK's only investment trust with the objective of tracking the performance of the FT-SE-A All-Share Index, raised net asset value from 123.37p to 150.42p per share in 1993. This 21.9 per cent increase – excluding retained earnings – compared with a 23.3 per cent rise in the Index over the same period.

Net revenue advanced from £1.83m to £1.93m and earnings per share grew from 3.77p to 3.99p. The recommended final dividend is 2.3p, making a total of 4p (3.77p).

Taken together with the 27p rise in net asset value, total return to shareholders over the year is 26 per cent, against the equivalent Index return of 27.1 per cent.

As required by the trust's Articles of Association, shareholders are again being asked to confirm that Malvern should continue for another year.

The trust is managed by Edinburgh Fund Managers.

Shield Group falls to £5,000

Shield Group, the estate agency, reported a fall in pre-tax profits from £54,000 to £5,000 for the six months to September 30. Turnover fell slightly, to £934,000 against £948,000.

Mr Norman Mazure, chairman, said the "modest" profit was a reflection of the cautious approach the directors had taken to the economic recovery. The agency results had suffered, he said, because lending institutions had disposed of a number of properties to BES funds.

Since the period end the group had diversified with the acquisition of Kamco Computer Systems, a personal computers company.

There were losses per share of 3.2p (2.7p).

Wolseley buys Powerplan Systems

Wolseley, the acquisitive building materials group, has purchased Powerplan Systems, a Preston-based manufacturer of power modules and cable management systems, for £2.08m.

Some £100,000 of the consideration is to be retained in a cash escrow account.

St Andrew Trust net assets rise 30%

Strong returns from UK smaller companies, coupled with good performances from its continental European and Pacific Rim portfolios, helped St Andrew Trust raise net asset value per share by 30 per cent in 1993.

The advance – from 249.5p to 324.8p – compared with an improvement of 23.3 per cent in the FT-SE-A All-Share Index.

The trust, 58 per cent-owned by the Ecclesiastical Insurance Office and managed by Martin Currie, reported net revenue of £2.71m, up from £2.58m, for earnings of 7.81p (7.42p) per share.

A recommended final dividend of 5.1p lifts the total to 7.8p (7.55p).

Selective Assets beats benchmark

Selective Assets Trust, managed by Ivory & Sime to seek long-term capital growth, lifted its net asset value per share by 31 per cent, from 155.95p to 203.76p, over the 1993 year.

The FT-SE-A All-Share Index, the trust's benchmark, improved 23.3 per cent over the same period.

Mr Gordon Neilly, a director at I&S, attributed the performance to the trust's exposure to Asian and other emerging markets, and smaller capitalisation growth stocks in North American and the UK.

Net revenue improved to £1.08m (£805,000), equivalent to earnings of 3.72p (2.78p).

The single distribution for the year goes up from 1.2p to 1.45p.

World of Leather settlement

World of Leather, the USM-traded furniture retailer, has paid £150,000 in an out of court settlement with the distribution company which previously handled the warehousing and distribution of its furniture.

The claim by the distributor was substantially higher than £150,000. Each party will pay its own legal costs. World of Leather's costs are expected to total £250,000, which will be accounted for as an exceptional item in the full-year results.

World of Leather said that in the three weeks since December 28 its turnover had increased by 20 per cent year-on-year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Cardiff Property ....fin	1.65	Mar 18	1.55	2.5	2.4
LPA Inds § ....fin	0.8	Feb 23	1.87	2.45	3.52
Malvern UK Index ....fin	2.3	Apr 15	2.07	4	3.77
Park Food ....int	2.5	Mar 11	2	-	6
St Andrew Trust ....fin	5.1	May 3	4.85	7.8	7.55
Selective Assets........fin	1.45	Apr 7	1.2	1.45	1.2

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Keeping the European dream alive

John Gapper on the challenges facing Charterhouse following its change of ownership

While optimistic by nature, Mr Victor Blank does not overstate the chance of him heading the first true pan-European merchant bank. "That is the vision, but I do not suppose it will happen in my working lifetime," says 51-year-old Mr Blank.

Charterhouse, of which Mr Blank is chief executive, is now taking the first steps. It is in the first weeks under the 90 per cent ownership of Credit Commercial de France and Berliner Handels und Frankfurter Bank. The remaining 10 per cent is held by its former owner, Royal Bank of Scotland.

Mr Blank's vision for his medium-sized City merchant bank is for it to form the investment banking arm of its French and German parents while drawing on its British roots. But for the foreseeable future, it will remain a UK bank operating with the support, and partial direction of its shareholders.

Transforming Charterhouse will be a tough task. It does not have the capital strength and breadth of leading UK investment banks such as Schroders or SG Warburg. It has also suffered from a prolonged period of uncertainty over its ownership since the possibility of a sale emerged two years ago.

Some of Charterhouse's competitors believe that it no longer has the power of the mid-1980s when it carved out a niche in mergers and acquisitions. "I think they have rather withered on the vine, and the uncertainty over who owned them has been quite damaging," says one rival corporate financier.

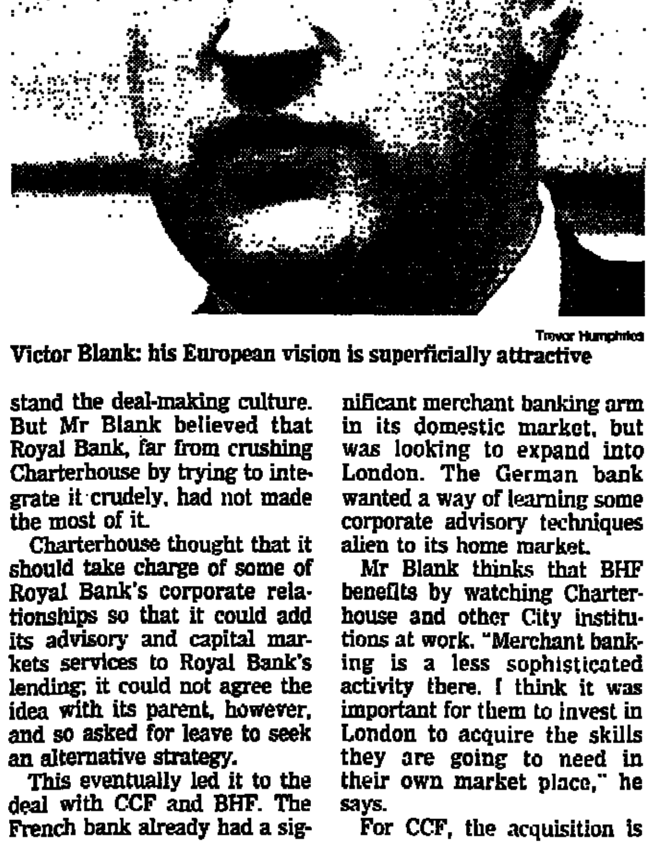
Mr Blank's European vision is superficially attractive. It draws on some of the same logic that persuaded Deutsche Bank to acquire Morgan Grenfell in 1989. He hopes to attract cross-border advisory work from medium-sized companies of between £100m and £1bn market capitalisation.

But Charterhouse has a lot to prove. Royal Bank lost £35.1m in selling the 90.1 per cent stake, including the writing-off of £23.1m goodwill. Profits for 1993 were only £20.2m - the same as two years ago - although the figure would have been higher but for Royal Bank's disposal accounting.

Mr Blank is undisturbed by such unpropitious omens, arguing that the bank is finally capable of pursuing a clear strategy. "We didn't have the size to go it alone, but we have set a marker. If any of our peer group think they can simply operate from these shores, they are barmy."

He thought of seeking European partners three years ago, when the mergers and acquisitions boom of the 1980s was ebbing. The bank had made a name for innovations - including several management buy-outs - but needed to find ways of developing its corporate finance and venture capital businesses.

Commercial banks that bought investment banks in the 1980s acquired a reputation of managing them badly because they did not understand the deal-making culture. But Mr Blank believed that Royal Bank, far from crushing Charterhouse by trying to integrate it crudely, had not made the most of it.



Trevor Humphries

Victor Blank: his European vision is superficially attractive

Charterhouse thought that it should take charge of some of Royal Bank's corporate relationships so that it could add its advisory and capital markets services to Royal Bank's lending; it could not agree the idea with its parent, however, and so asked for leave to seek an alternative strategy.

This eventually led it to the deal with CCF and BHF. The French bank already had a significant merchant banking arm in its domestic market, but was looking to expand into London. The German bank wanted a way of learning some corporate advisory techniques alien to its home market.

Mr Blank thinks that BHF benefits by watching Charterhouse and other City institutions at work. "Merchant banking is a less sophisticated activity there. I think it was important for them to invest in London to acquire the skills they are going to need in their own market place," he says.

For CCF, the acquisition is more a means of establishing a London presence. Mr Jean Christian Metz, the CCF director on Charterhouse's management board, says it could not simply establish a subsidiary. "You can never grow as fast in a country like Britain starting from scratch," he says.

For the moment, the most obvious day-to-day effect of the change of ownership is a video conferencing link established between London, Paris and Frankfurt to encourage a flow of information. Mr Blank says "many times a day, people talk business to each other".

Even joined together, the three institutions may find it difficult to compete with more powerful rivals. These include not only Lazard Freres in Paris and Deutsche Bank in Frankfurt but US investment banks such as Goldman Sachs. Mr Blank says such powerful competition stimulates innovation.

"If you do not have a client list like Schroders, then you have got to have creative ideas," he says. He believes that Charterhouse can carve a similar niche advising medium-sized companies that are looking overseas, similar to that which it achieved in the last decade in domestic buy-outs.

As he admits, there is limited evidence after only a few weeks under new ownership. Charterhouse still has to work to show that its vision of pan-European merchant bank is more practical than other European dreams. Mr Blank will have plenty for which to strive in his working lifetime.

Swedish forestry sell-off aims to raise SKr7bn

By Christopher Brown-Humes in Stockholm

Sweden yesterday launched its biggest ever privatisation, saying it hoped to raise up to SKr7bn ($860m) from the sale of a 49 per cent stake in the state forestry group, AssiDomän.

The government is offering [illegible]m shares in the company, which is the fourth largest Swedish pulp and paper group and one of the top 10 in Europe.

Unlike previous privatisation issues, this one will largely be directed at the Swedish public. They will be offered 70 per cent of the shares, with the balance being sold to foreign and domestic institutions. Foreign institutions will be allowed to buy a maximum of 8m shares, equivalent to 7 per cent of the whole company.

Mr Per Westerberg, Sweden's industry minister, said latest estimates showed AssiDomän was worth between SKr10bn and SKr14bn.

The offer price will be fixed on March 9 on the basis of bids submitted by institutions in the preceding days. The public offer will take place between March 9 and March 21, while first dealings on the Stockholm stock exchange are planned for April 8.

In adopting the proposed ownership structure and pricing mechanism, the government hopes to avoid a repeat of the criticism which followed last year's sell-off of defence group Celsius. Then the public share offer was 17 times over-subscribed.

AssiDomän has annual sales of SKr13bn and is Sweden's largest forest owner and its biggest producer of sawn timber products. The state will retain a 51 per cent stake in the group.

AssiDomän intends to bid for Ncb, another Swedish forestry group, following its partial privatisation. The terms of the offer, to be launched between March 25 and April 22, have already been accepted by the government which holds 51 per cent of Ncb.

Caterpillar result boosts shares

By Richard Tomkins in New York

Shares in Caterpillar, the US heavy plant and machinery maker, continued their upward surge yesterday as the company reported another quarter of strong recovery. They added $2⅝ to $96⅝ by midday.

Fourth-quarter losses of $2m the previous year turned into after-tax profits of $148m this time, or $119m after an extraordinary loss of $29m for the early retirement of some high interest rate debt.

Earnings per share were $1.46 before the extraordinary item and $1.17 after it, compared with a loss per share of 2 cents last time.

Caterpillar's share price has nearly doubled over the last year in response to the sharp recovery in the company's financial performance.

Its profits are strongly linked to the economic cycle because its equipment sells best when public and private sectors are spending on construction and expansion.

The biggest single factor behind the latest quarter's turnround was a 16 per cent increase in turnover to $3.2bn, with three-quarters of the increase coming from higher physical sales and the other quarter from better prices.

Nearly all the improvement took place in the US, where economic growth stimulated demand. Volumes outside the US were more or less flat.

For the year as a whole, Caterpillar recorded a 14 per cent increase in sales to $11.2bn, with higher demand from US industry more than offsetting moderate declines in Europe, Africa, the Middle East and Latin America.

Net profits were $681m excluding the fourth-quarter's extraordinary loss of $29m. Last year the company lost $218m, or $2.4bn after a $2.2bn charge for accounting changes.

Higher demand world-wide is expected to bring further profits growth this year.

Westinghouse sees weak earnings

By Richard Waters in New York

Mr Michael Jordan, chairman of Westinghouse Electric, repeated warnings of weak earnings in the first quarter of this year as the troubled US conglomerate reported figures for the last quarter of 1992.

He said: "We believe the first-quarter 1994 earnings will be down substantially compared to the first quarter of 1993, primarily due to increased pension expense, reduced licensee income, and a one-time accounting change for nuclear fuel in 1993."

The latest figures were weighed down by previously announced pre-tax charges of $750m, marking an attempt by Mr Jordan, who joined the group last summer, to strengthen the group's operating position.

At the operating level, Westinghouse made a loss of $328m in the final three months of the year on sales of $2.6bn, compared with a profit of $160m on sales of $2.5bn the year before.

The loss per share was $1.38 ($1.11 on continuing operations). A year before, the company made a profit of 18 cents per share (a loss of $3.74 a share after taking into account $1.4bn losses on discontinued operations).

The company gave no breakdown of its various operating units in the latest period, though it repeated earlier comments that both revenues and operating profits at its environmental businesses were down "substantially" in the quarter.

Banesto fights for Portuguese bank stake

By Peter Wise in Lisbon and Tom Burns in Madrid

Banco Español de Crédito's new board has begun a concerted effort to keep its controversial 50 per cent holding in Banco Totta e Acores, the big Portuguese bank, following warnings from Lisbon that half its stake may have been accumulated illegally.

Mr Alfredo Saenz, acting president of Banesto, and Mr Miguel Martin, deputy governor of the Bank of Spain, met Mr Eduardo Catroga, the Portuguese finance minister, yesterday in the hope of defusing a growing row in Portugal.

This is centred on the apparent infringement by the former Banesto management, which was dismissed by the Bank of Spain on December 28, of rules governing the stakes foreigners may hold in Portugal's privatised banks.

This month Mr Mario Conde, Banesto's former president, announced that Banesto holds 25 per cent of BTA directly and a further 25 per cent indirectly. The size of the shareholding contravenes Portuguese legislation limiting foreign ownership of BTA to 25 per cent.

The talks in Lisbon were expected to focus on a "non-aggression pact" under which Portuguese authorities would not force Banesto to sell the 25 per cent of BTA it is believed to hold illegally. In return, Banesto would agree not to call in loans totalling an estimated Es50bn ($286m) it has extended to Portuguese shareholders of BTA.

Mr Saenz, who believes Banesto's purchase of BTA was the soundest of all of the Portuguese acquisitions by Spanish banks in recent years, has been shaken by the possibility that Banesto may be forced to lose control of Totta.

Banesto made loans to Portuguese companies in which the Spanish bank has a minority stake and the money was used to buy shares in BTA during the bank's privatisation. This enabled Banesto to increase its indirect holding in BTA above the 25 per cent it holds directly.

Safety first as Volvo gets back to nuts and bolts

The group's new chairman talks to Hugh Carnegy

Bert-Olof Svanholm: sees a closer role for shareholders

It is hard to imagine a greater contrast to Pehr Gyllenhammar than Bert-Olof Svanholm.

Volvo's newly installed chairman, elected this week to lead Sweden's top manufacturer following the fiasco of the failed merger with Renault, is a physically compact engineer, virtually unknown outside industrial circles who is most animated when talking about the nuts and bolts of making a company function efficiently.

This, clearly, is a very different character from Mr Gyllenhammar, the suave lawyer who in 22 years at the top of Volvo gave the company enviable international cachet and became one of the best-known and most-admired men in Sweden.

Mr Svanholm, head of the Nordic operation of Asea Brown Boveri, the Swiss-Swedish engineering group, considers his words carefully when asked what kind of leadership he will bring to Volvo.

"My interest is not so much the national/global aspect of business as perhaps Mr Gyllenhammar has shown. I am very much a team player, working with the people, working with management, trying together with my colleagues on the board to achieve company improvements in all areas," he says.

"We are all aware that the car industry is one of the most competitive businesses. Therefore a lot of attention will have to be paid not only to the structural measures and the alliance with Renault, but to a very great extent on cost improvements inside the company, from the balance sheet point of view down to factory efficiency."

Mr Svanholm quickly uses the three letters BMT – meaning "before my time" – to avoid direct comment on the dramatic events that led to his appointment.

But there is a clear message that he intends to do things differently and ensure there is no repeat of the drama when shareholders harbouring long-term resentments over Mr Gyllenhammar's autocratic rule over Volvo finally revolted by rejecting his plan to merge with Renault.

First, Mr Svanholm will not work full time, or have any executive role, at Volvo, as Mr Gyllenhammar did. "It is important that Volvo now gets a division between the management and the board," he says.

Second, he sees a closer role for shareholders in plotting the company's course.

"If things are going to be moved in a thorough way in a company it is of course crucial that communication is floating freely through the system – within the company, from the company to the board, from the board to shareholders."

If the choice of Mr Svanholm was initially a surprise, these attitudes explain his attraction to the cabal of Swedish institutional shareholders who precipitated the downfall of Mr Gyllenhammar and who chose him as the successor.

His lack of a public profile or any reputation for glory seeking, combined with a workman-like record in an engineering blue-chip as solid as ABB make him a safe pair of hands. The big question is whether he will prove sufficiently well-equipped to lead a company which faces severe long-term industrial challenges and which carries the unusual but unavoidable burden of the high expectations of the wider Swedish public.

What most Swedes want to see is Volvo firmly committed to an independent future making cars.

Mr Svanholm has been understandably reticent about talking publicly about strategy until he and the new board, together with Mr Sören Gyll, the chief executive, and his management team, have worked out in detail what the direction should be.

Top of the list is what to do about the three-year old alliance with Renault now the merger plan is scrapped. The whole structure of the relationship, from cross-shareholdings to joint purchasing arrangements, is under review.

Volvo must also decide how many of its interests outside the core truck and car operations – which run from aero engines, through food and drinks to pharmaceuticals – it wants or can afford to retain.

At this stage, Mr Svanholm gives little clue as to what his preferred outcome is.

But there is a clear indication of what his regime may bring in one important area of substance – organisational structures within Volvo.

His conversation becomes liveliest when talking about the projects he has presided over at ABB to improve productivity and cost cutting.

He proudly points out that the so-called T50 project has in three years cut throughput times at ABB Sweden by 47 per cent. He vigorously defends as "very close to my heart" efforts made by Mr Gyllenhammar to introduce more worker-friendly production techniques at Volvo.

"We are at a stage of paradigm change where we are leaving the functional thinking behind and moving into process-oriented, flow-oriented organisation, utilising the whole person - not just his arms and legs - and thereby getting fantastic productivity improvement."

Sweden, with its history of close co-operation between management and trade unions, is well placed to achieve these changes, Mr Svanholm says. He talks of "taking out the wording of blue and white collar workers" to achieve a "new Swedish model". "If I can contribute some of those ideas into Volvo, I will be happy," he says.

Degussa trims board at end of restructuring

By Christopher Parkes in Frankfurt

Degussa, the Frankfurt-based metals and chemicals group, is to round off its two-year restructuring and decentralisation programme by thinning top management.

The board is to be reduced from eight to six members, and the responsibilities of two second-tier executives are to be taken over by the main board.

Mr Henning Bode, 53, and Mr Alexander Mentz, 49, will leave the board at the end of the current financial year in September.

Mr Bode's responsibilities for technical matters, including quality and engineering, will in future be spread around the group's operating divisions. The responsibility for base metals, formerly Mr Mentz's job, will be taken on by Mr Günter Wohlenberg, the main board member already in charge of precious metals.

Degussa's interests in non-precious metals will be considerably reduced on completion of the sale, agreed last year, of its Leybold subsidiary to Oerlikon-Buehrle of Switzerland.

A company spokesman could not say whether the departing directors would remain with the company.

Other changes include the main board assuming control over the industry and speciality chemicals division and the inorganic chemicals business currently headed by Mr Fritz Hahn and Mr Heinrich Wolf, both 60, and who will retire at the end of the financial year.

The Degussa management, which yesterday announced an unchanged dividend of DM7 for 1992-1993, has been widely praised for the efficiency and speed of its rationalisation plans.

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Aluminium talks fail to lift cloud

Disappointment at the failure of leading aluminium producing countries to reach agreement on curbing oversupply left the metal's prices at a low ebb on the London Metal Exchange yesterday.

The three months delivery price had risen by nearly $12 to $1,217.50 a tonne on Monday in anticipation of the producers' meeting, which was scheduled to run for two days and was widely expected to result in a multilateral agreement to cut world aluminium production by about 10 per cent – 1.5m-2m tonnes. Most of that rise was lost after the talks began in Brussels on Tuesday, however, as a total news blackout left traders groping in the dark.

Further modest losses were registered during the second day, partly in response to indications that Russia, the main source of a flood of aluminium into the west since the collapse of the Soviet Union, was proving determined not to shift from its opening offer. Hopes were rekindled, however, by news that the talks were to continue on Thursday. "We decided we would keep talking while we were still making progress," said one delegate.

The apparent confidence of delegates at the opening of the *third day of negotiations further* revived LME dealers' *spirits and three months aluminium* bounced to $1,214 a tonne in the morning. However, the sight of decidedly grimmer faces emerging for the midday recess brought an abrupt turnaround in market sentiment and the price fell back to $1,186.75 at the close.

But the optimists were not done. Yesterday morning's announcement that there would be a midday statement sent the price to $1,218 a tonne, only to fall all the way back to $1,189 at the close, down $16.25 on the week, after the announcement simply said that the talks would continue, possibly over the weekend. Further negotiations will have to be conducted by telephone and fax, however, as most of the delegates, including the Russians, have gone home.

Disappointment with the Brussels *talks cast a shadow* over other LME contracts yesterday, *but copper and lead* still ended the week with *substantial gains.*

Copper's early strength *seemed to be entirely due to* speculative activity, traders *said, but lead benefitted* towards the end of the week *from reports of increased* replacement car battery demand in the US as a result of the recent extreme cold in the eastern *half* of the country.

At the London bullion market the gold market held its own until taking a tumble yesterday. *Chart-inspired selling* helped to push the price down to $385.25 a troy ounce yesterday, off $7.05 on the day and $4.75 on the week. Dealers dismissed any link between the weakness of gold in London and New York with a television programme claiming that 1,240 tonnes of gold had been stored by Ferdinand Marcos, the late Philippines' dictator, in Switzerland.

"The market was lethargic and had been all week. It wanted to go down and needed an excuse," one analyst told the Reuter news agency. "This got blown out of all proportion."

At the London Commodity *Exchange coffee* was a *big* loser in midweek, when the *March futures position fell to* $1,168 a tonne at one stage. But *it staged a partial rally on* Thursday following Brazil's announcement *that it* would roll-over producer debts, against which it is holding coffee as collateral, removing the immediate threat of that coffee reaching the open market.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+5,700	to 2,514,825
Aluminium alloy	+40	to 47,320
Copper	-4,600	to 607,575
Lead	-75	to 309,100
Nickel	+924	to 128,478
Zinc	+15,700	to 978,525
Tin	unchgd	at 20,745

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1993/1994 High	1993/1994 Low
Gold per troy oz.	$385.25	-4.75	$329.25	$405.75	$326.05
Silver per troy oz	344.80p	+3.50	244.55p	362.50p	236.00p
Aluminium 99.7% (cash)	$1172.5	-16.0	$1196.25	$1240.00	$1023.50
Copper Grade A (cash)	$1843.0	+36.0	$1451.5	$2375.00	$1108.50
Lead (cash)	$508.5	+12.0	$277.5	$496.50	$361.50
Nickel (cash)	$5689	-26	$5795.0	$6340	$4043.5
Zinc SHG (cash)	$1005.0	+0.5	$1057.5	$1112	$868.0
Tin (cash)	$4990.0	+30.0	$5935	$6047.5	$4340.0
Cocoa Futures May	£910	-20	£739	£1061	£863
Coffee Futures Mar	$1180	-9	$904	$1297	$836
Sugar (LDP Raw)	$259.8	-6.8	$213.1	$317.4	$204.5
Barley Futures Mar	£104.75	-0.85	£133.30	£110.30	£101.50
Wheat Futures Mar	£99.55	-1.35	£137.30	£148.45	£99.30
Cotton Outlook A Index	71.50c	+3.85	59.00c	71.50c	54.15c
Wool (64s Super)	360p	+16	390p	403p	319p
Oil (Brent Blend)	$13.83x	-0.205	$17.35	$19.53	$13.64

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Mar.

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1172-3	1189-90
Previous	1188-9	1188.5-7
High/low	1185/1184	1222/1187
AM Official	1185-5.5	1200.5-1.0
Kerb close		1201-2
Open int.	281,207	
Total daily turnover	48,458	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1045-8	1069-70
Previous	1026-8	1050-3
High/low		1075/1065
AM Official	1045-50	1070-5
Kerb close		1068-73
Open int.	2,832	
Total daily turnover	369	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	508-9	520-20.5
Previous	508-9	520.5-21
High/low		525/515
AM Official	504-5	516.5-17
Kerb close		519-19.5
Open int.	31,992	
Total daily turnover	3,290	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5688-70	5725-30
Previous	5710-20	5775-80
High/low		5790/5700
AM Official	5660-70	5725-30
Kerb close		5720-1
Open int.	49,882	
Total daily turnover	4,962	

■ TIN ($ per tonne)

	Cash	3 mths
Close	4980-5000	5030-50
Previous	4900-5000	5040-50
High/low		5075/5040
AM Official	4995-5000	5045-50
Kerb close		5040-50
Open int.	17,444	
Total daily turnover	3,069	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1004.5-5.5	1023.5-24.0
Previous	1015.5-6.5	1034-5
High/low		1039/1021
AM Official	1007-8	1026-26.5
Kerb close		1028-9
Open int.	98,697	
Total daily turnover	15,088	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1842.5-43.5	1865-5.5
Previous	1859-60	1882-2.5
High/low		1888/1865.5
AM Official	1850-1	1872.5-73
Kerb close		1871-2
Open int.	261,194	
Total daily turnover	58,097	

■ LME AM Official £/$ rate: 1.4993
LME Closing £/$ rate: 1.4945

Spot:1.4955 3 mths:1.4878 6 mths:1.4817 9 mths:1.4769

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Jan	85.40	-1.10	85.80	85.35	821	178
Feb	85.60	-0.95	86.20	85.25	1,146	90
Mar	85.65	-0.95	86.25	85.35	36,736	5,898
Apr	85.35	-1.10	85.25	85.25	738	2
May	85.35	-0.95	86.05	85.10	9,065	1,475
Jun	85.50	-0.85	85.90	85.30	851	23
Total					64,001	8,145

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	385.00-385.00	
Opening	387.70-388.10	
Morning fix	387.85	258.66
Afternoon fix	388.00	257.79
Day's High	388.30-388.70	
Day's Low	383.50-384.00	
Previous close	392.10-392.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....2.74 6 months 2.77
2 months ....2.74 12 months 2.83
3 months 2.75

Silver Fix	p/troy oz.	US cts equiv.
Spot	345.65	518.50
3 months	350.05	522.25
6 months	354.25	526.30
1 year	362.65	535.85
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	390-393	261-264
Maple Leaf	395.95-398.45	
New Sovereign	91-94	61-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	42.25	+0.31	4240	4165	25,674	[illegible]
Mar	43.05	+0.38	4320	4248	32,790	[illegible]
Apr	45.90	+0.23	4600	4560	30,13[illegible]	[illegible]
May	46.75	+0.15	4685	4655	30,28[illegible]	[illegible]
Jun	47.30	-	4735	4705	11,371	[illegible]
Jul	47.85	+0.05	4785	4780	2,56[illegible]	[illegible]
Total					136,9[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

SPICES

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB (Base: 4/9/56=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

[illegible]

■ COPPER (Grade A) LME

[illegible]

■ COFFEE LCE	Mar	May	Mar	May
1150	46	78	16	45
1200	21	53	41	70
1250	8	35	78	102
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
900	33	54	24	44
925	22	43	38	58
950	14	34	55	74
■ BRENT CRUDE IPE	**Mar**	**Apr**	**Mar**	**Apr**
1350	54	-	24	49
1400	28	-	50	71
1450	16	33	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)		+or-
Dubai	$12.80-2.89w	-0.02
Brent Blend (dated)	$14.15-4.19	+0.045
Brent Blend (Mar)	$13.82-3.84	-0.02
W.T.I. (1pm est)	$14.93-4.95w	-0.07
■ OIL PRODUCTS NWEprompt delivery CIF (tonne)		
Premium Gasoline	$144-146	
Gas Oil	$147-148	-1.50
Heavy Fuel Oil	$67-68	+1
Naphtha	$128-131	
Jet Fuel	$164-165	-1.5
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)♣	$385.25	-7.05
Silver (per troy oz)♣	520.5c	-12.0
Platinum (per troy oz.)	$382.50	-9.0
Palladium (per troy oz.)	$123.60	-0.65
Copper (US prod.)	91.0c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	13.33r	-0.07
Tin (New York)	234.50c	+1.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	121.16p	+1.02*
Sheep (live weight)†♠	103.01p	+5.75*
Pigs (live weight)	60.57p	-4.81*
Lon. day sugar (raw)	$253.2	-0.4
Lon. day sugar (wte)	$290.5	+1.0
Tate & Lyle export	$279.5	+1.5
Barley (Eng. feed)	£108.25	
Maize (US No3 Yellow)	£127.00v	
Wheat (US Dark North)	£143.5	
Rubber (Feb)♥	61.25p	
Rubber (Mar)♥	61.50p	
Rubber(KL RSS No1 Feb)	221.0m	
Coconut Oil (Phil)§	$580.0x	
Palm Oil (Malay.)§	$405.0t	-2.5
Copra (Phil)§	$390.0	
Soyabeans (US)	£210.0y	+2.0
Cotton 'A' Index	71.50c	+0.60
Wooltops (64s Super)	360p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Mar. z Jan/Mar. v Feb. t Feb/Mar. x Mar/Apr. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	120.8700	+0.130	8.30	6.34	6.62
Belgium		7.250	04/04	104.6900	-0.200	6.60	6.55	6.52
Canada *		7.500	12/03	107.9500	+0.200	6.40	6.47	6.73
Denmark		7.000	12/04	107.5700	-0.480	6.03	5.95	6.22
France	BTAN	8.000	12/98	110.8100	-0.280	5.12	5.06	6.06
	OAT	6.750	10/03	107.5700	-0.300	5.70	5.66	5.76
Germany		6.000	09/03	101.9500	-0.470	5.73	5.63	5.66
Italy		8.500	01/04	100.6800	-0.290	8.40†	8.58	8.49
Japan	No 119	4.800	06/99	109.1460	-0.730	2.85	2.47	2.51
	No 157	4.500	06/03	108.3780	+0.540	3.33	3.06	3.12
Netherlands		5.750	01/04	100.6200	-0.130	5.67	5.60	5.68
Spain		10.500	10/03	117.3700	-0.080	7.87	8.02	8.20
UK Gilts		9.750	01/98	114-05	-6/32	5.70	5.85	5.68
		6.750	11/04	104-18	-8/32	6.10	6.30	6.24
		9.000	10/08	124-03	-9/32	6.45	6.66	6.52
US Treasury *		5.750	08/03	100-14	+1/32	5.69	5.73	5.85
		6.250	08/23	99-17	-2/32	6.29	6.29	6.35
ECU (French Govt)		6.000	04/04	100.2300	-0.370	5.97	5.94	6.04

London closing. *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

ECONOMIC DIARY – FORWARD EVENTS

TOMORROW: *New Venezuelan* Congress begins sitting.

MONDAY: *Confederation of* British Industry publishes *quarterly industrial trends survey* (January). US federal budget (December). *Council of* Europe parliamentary assem*bly holds winter session* in Strasbourg (until January 28). *Arab-Israeli peace talks are* expected to resume in Washington. *US-Japanese* trade negotiators scheduled to meet in Washington to discuss opening up the Japanese market to exports. EU agriculture council meets in Brussels.

TUESDAY: New construction orders (November). US existing home sales (December); consumer confidence (January). Mr Bill Clinton, US president, scheduled to give annual State of the Union address to Congress. Portugal's two trade union confederations stage one-day strike over pay. National conference in Algeria on its political future (until January 26). Mr Philippe *Seguin, speaker of the French* Assembly, is expected to address the *Chatham House* international affairs institute on the *subject* of "The New Europe" in London. French *Communist Party congress* (until January 29).

WEDNESDAY: Bricks and cement production and deliv*eries (fourth quarter). Mort*gage possession orders (fourth quarter). *Mortgage* repossessions (July-December). Irish *budget to be introduced to* parliament. Annual donors' consultative conference of Southern African Development *Community in Gaberone* (until January 28).

THURSDAY: World Economic Forum in Davos, Switzerland (until January 31). *Social* Trends - 1994 edition. Engineering sales and orders at current and constant prices (November). New vehicle registrations (December). Energy trends (November). US durable goods (December). General strike in Spain in protest at government's economic policy.

FRIDAY: Balance of trade with countries outside the European Union (December). US GDP *(fourth quarter). Japan* consumers' price index (December); industrial output (December). Zambian budget.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.92	130.68	-0.40	130.93	130.62	207,090	137,889
Jun	130.42	130.22	-0.38	130.46	130.20	899	13,482
Sep	129.54	129.34	-0.38	129.60	129.50	58	1,140

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
128	-	2.75	-	-	0.07	0.44
129	-	1.82	-	-	0.15	0.71
130	-	1.05	-	0.08	0.36	1.08
131	0.13	0.47	0.88	0.45	0.77	-
132	-	0.17	0.50	-	-	-
133	-	0.04	0.25	-	-	-

Est. vol. total, Calls 22,842 Puts 18,566. Previous day's open int., Calls 298,443 Puts 345,410.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.43	100.09	-0.26	100.50	99.97	195560	168242
Jun	100.41	100.07	-0.25	100.43	100.04	549	2978

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10000	0.49	0.95	0.40	0.88
10050	0.27	0.72	0.68	1.15
10100	0.13	0.53	1.04	1.46

[illegible]

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE)

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price						
119	[illegible]					
120	[illegible]					
121	[illegible]					

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF)

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	[illegible]	[illegible]16-14	-0-01	116-23	116-12	352,257	316,053
Jun	[illegible]	[illegible]5-12	-	115-20	115-10	1,589	17,948
Sep	[illegible]	[illegible]4-12	-	114-19	114-12	418	23,404

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE)

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar gains

The dollar yesterday gained strength across the board against major currencies with the market anticipating the release next week of favourable US economic data, *writes Philip Gawith.*

The dollar fell earlier on fears that Japanese political turmoil might jeopardise implementation of an economic stimulus package and prompt US calls for a stronger Yen to narrow the trade gap between the two countries. London dealers reported frantic early European trading, mainly the result of position squaring among players who were long on dollars and short on yen.

After closing at Y111.510 in London on Thursday, the dollar fell to Y109.75 in early trading before recovering robustly as US investors bought the currency at lower levels when they entered the market. It finished only slightly lower than Thursday at Y111.210.

Commenting on the dollar's strength, Mr Keith Edmonds, chief analyst at IBJ International in London said: "The focus next week will be on US growth prospects and the numbers that are in prospect look like they are going to be on the strong side." Another view in the market was that with the outlook for a fiscal stimulus to the Japanese economy having been removed by the latest political setbacks, a monetary boost through a cut in interest rates had become more likely.

The dollar was also supported by rumours that an important financier had bought large amounts of dollars for yen and D-Marks.

Dealers were looking forward to tomorrow's meeting between US Treasury secretary Mr Lloyd Bentsen and Japanese prime minister Mr Morihiro Hosokawa and finance minister Mr Hirohisa Fujii for further clues as to the way the dollar and yen will move.

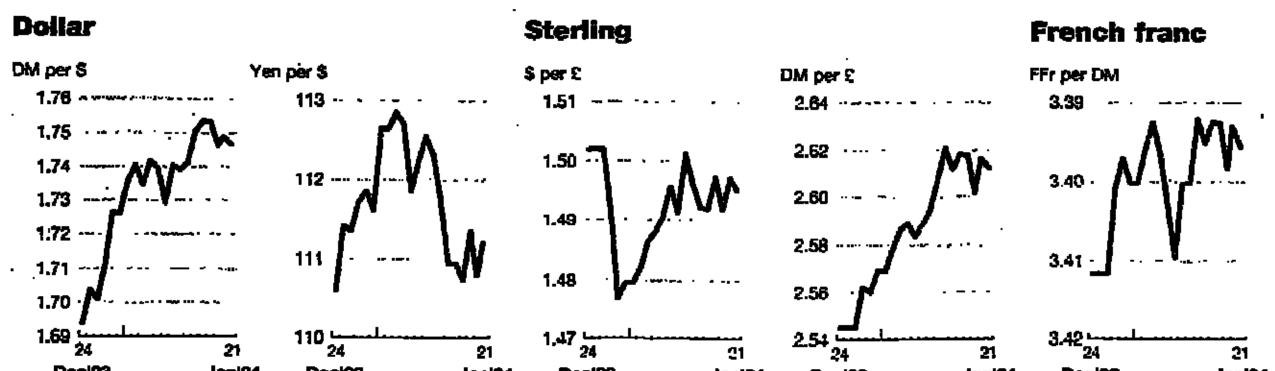
● The market yesterday appeared to reconsider the significance of the Bundesbank's Thursday announcement cutting the minimum reserve requirements of banks. After strengthening nearly a pfennig on Thursday against the dollar to close in London at DM1.7358, the German unit yesterday gave up its gains to close at DM1.7474. It also closed weaker in London against sterling, finishing at DM2.6122 compared to Thursday's close of DM2.6029. Analysts said that although the Bundesbank was clearly trying to ease monetary conditions without cutting rates, the market had taken the view that rate-cuts would not be delayed. Bundesbank president Mr Hans Tietmeyer said that it was right to hold Bundesbank policy steady for now, but that it would not hold rates at current levels for longer than necessary.

● Sterling struggled to make real headway yesterday despite an encouraging batch of UK economic data. Fourth quarter 1993 GDP rose 0.7 per cent to give a year-on-year rise of 2.5 per cent, slightly higher than forecast. December bank and building society lending rose a higher than expected £4.1bn while the M4 measure of broad money grew a provisional 5.5 per cent in the year to December. Although the pound closed stronger against the D-Mark, it weakened against the dollar in London to $1.495 from Thursday's close of $1.4996. Traders said its subdued performance was a natural correction following its recent appreciation. Dealers said it remains well underpinned by solid U.K. fundamentals and speculation that Germany will relax monetary policy in the coming weeks.

● The Bank of England provided the U.K. money market with late assistance of £80m after earlier providing £2.256bn liquidity to the system. The revised forecast of the liquidity shortage was £2.35bn.

■ Pound in New York

Jan 21	Latest	Prev. close
£ spot	1.4950	1.4968
1 mth	1.4920	1.4936
3 mth	1.4867	1.4885
1 yr	1.4721	1.4749



Source: FT Graphite

POUND SPOT FORWARD AGAINST THE POUND

Jan 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.3520	+0.0545	452 - 588	18.3600	18.2446	18.3558	-0.2	18.3651	-0.3	-	-	113.3
Belgium	(BFr)	54.3564	+0.0869	189 - 939	54.4040	54.1035	54.4414	-1.9	54.5964	-1.8	54.9314	-1.1	112.6
Denmark	(DKr)	10.1470	+0.0123	415 - 524	10.1525	10.0985	10.157	-1.2	10.1665	-0.8	10.172	-0.2	114.6
Finland	(FM)	8.4815	+0.0195	726 - 903	8.4910	8.4364	-	-	-	-	-	-	81.0
France	(FFr)	8.8697	+0.0052	658 - 736	8.8775	8.8340	8.8792	-1.3	8.8914	-1.0	8.9055	-0.4	107.7
Germany	(DM)	2.6122	+0.0093	112 - 132	2.6135	2.5950	2.614	-0.8	2.6159	-0.6	2.6169	-0.2	122.0
Greece	(Dr)	374.560	+1.622	123 - 996	375.477	371.124	-	-	-	-	-	-	-
Ireland	(I£)	1.0452	+0.0044	436 - 468	1.0480	1.0375	1.0458	-0.7	1.0467	-0.6	1.0493	-0.4	103.8
Italy	(L)	2545.16	+2.07	398 - 633	2549.90	2535.50	2551.96	-3.2	2563.56	-2.9	2607.91	-2.5	76.2
Luxembourg	(LFr)	54.3564	+0.0869	189 - 939	54.4040	54.1035	54.4414	-1.9	54.5964	-1.8	54.8314	-0.9	112.6
Netherlands	(Fl)	2.9254	+0.0081	241 - 266	2.9275	2.9080	2.9255	0.0	2.9243	0.2	2.9144	0.4	117.8
Norway	(NKr)	11.2361	-0.0288	327 - 394	11.2600	11.1740	11.252	-1.7	11.2499	-0.5	11.2363	0.0	84.7
Portugal	(Es)	263.552	+0.531	396 - 708	264.246	262.735	264.887	-6.1	267.057	-5.3	-	-	-
Spain	(Pta)	213.890	+0.466	817 - 963	214.105	213.030	214.82	-4.1	215.7	-3.4	219.82	-2.8	84.4
Sweden	(SKr)	12.0577	-0.0746	482 - 672	12.1350	11.9975	12.0832	-2.5	12.1112	-1.8	12.2247	-1.4	76.5
Switzerland	(SFr)	2.1913	+0.0109	902 - 924	2.1930	2.1752	2.189	1.3	2.1843	1.3	2.1599	1.4	117.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.6
Ecu	-	1.3452	+0.0031	446 - 457	1.3460	1.3397	1.3467	-1.3	1.3486	-1.0	1.3517	-0.5	-
SDR†	-	0.922204	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4950	-0.0045	947 - 953	1.5030	1.4940	-	-	-	-	-	-	-
Brazil	(Cr)	618.439	+8.159	328 - 549	622.000	608.000	-	-	-	-	-	-	-
Canada	(C$)	1.9615	-0.0027	607 - 623	1.9745	1.9600	1.9588	1.7	1.9539	1.6	1.9407	1.1	92.6
Mexico	(New Peso)	4.6433	-0.0143	410 - 456	4.6655	4.6400	-	-	-	-	-	-	-
USA	($)	1.4950	-0.0046	947 - 952	1.5030	1.4940	1.4921	2.3	1.4869	2.2	1.473	1.5	67.4
Pacific/Middle East/Africa													
Australia	(A$)	2.1273	-0.0005	262 - 284	2.1415	2.1240	2.1258	0.8	2.1237	0.7	2.1237	0.2	-
Hong Kong	(HK$)	11.5452	-0.0388	425 - 479	11.6060	11.5380	11.5248	2.1	11.4913	1.9	11.4	1.3	-
India	(Rs)	46.8948	-0.1461	813 - 082	47.1420	46.8670	-	-	-	-	-	-	-
Japan	(Y)	166.254	-0.961	166 - 341	167.010	164.820	165.809	3.2	164.909	3.2	160.919	3.2	177.2
Malaysia	(M$)	4.1007	-0.0145	985 - 028	4.1160	4.0830	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6387	-0.0133	366 - 408	2.6605	2.6350	2.6409	-1.0	2.6439	-0.8	2.6457	-0.3	-
Philippines	(Peso)	41.5597	-0.1278	285 - 908	41.9194	41.3280	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6053	-0.016	036 - 070	5.6280	5.5950	-	-	-	-	-	-	-
Singapore	(S$)	2.3982	-0.0154	971 - 993	2.4110	2.3930	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1030	-0.015	984 - 076	5.1270	5.0950	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5853	+0.0472	767 - 938	6.6580	6.5295	-	-	-	-	-	-	-
South Korea	(Won)	1210.24	-5.07	996 - 051	1216.70	1209.00	-	-	-	-	-	-	-
Taiwan	(T$)	39.5041	-0.1665	900 - 181	39.7100	39.4500	-	-	-	-	-	-	-
Thailand	(Bt)	38.1362	-0.1548	149 - 575	38.3270	38.0795	-	-	-	-	-	-	-

†SDR rate for Jan 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.
Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Morgan G'ty index
Europe													
Austria	(Sch)	12.2760	+0.074	735 - 785	12.2800	12.1925	12.3022	-2.6	12.3427	-2.2	12.4367	-1.3	102.8
Belgium	(BFr)	36.3600	+0.1695	410 - 790	36.3800	36.1700	36.485	-4.1	36.72	-4.0	37.28	-2.5	102.4
Denmark	(DKr)	6.7875	+0.029	850 - 900	6.8000	6.7485	6.8087	-3.8	6.8375	-2.9	6.9035	-1.7	103.6
Finland	(FM)	5.6734	+0.0304	684 - 784	5.6800	5.6275	5.6836	-2.2	5.6939	-1.4	5.7309	-1.0	76.0
France	(FFr)	5.9331	+0.0217	315 - 347	5.9400	5.9025	5.9514	-3.7	5.9791	-3.1	6.0441	-1.9	104.3
Germany	(D)	1.7474	+0.0116	470 - 477	1.7480	1.7345	1.752	-3.1	1.7593	-2.7	1.7765	-1.7	104.0
Greece	(Dr)	250.550	+1.85	300 - 800	251.120	248.060	254.1	-17.0	260.9	-16.5	293.05	-17.0	72.0
Ireland	(I£)	1.4303	-0.0105	283 - 323	1.4415	1.4250	1.4265	3.2	1.4204	2.8	1.4038	1.9	-
Italy	(L)	1702.50	+6.6	200 - 300	1703.50	1695.25	1710.4	-5.6	1722.2	-4.6	1763.55	-3.6	76.8
Luxembourg	(LFr)	36.3600	+0.1695	410 - 790	36.3800	36.1700	36.485	-4.1	36.72	-4.0	37.28	-2.5	102.4
Netherlands	(Fl)	1.9688	+0.0114	563 - 573	1.9610	1.9445	1.9607	-2.4	1.9664	-2.0	1.9779	-1.1	103.4
Norway	(NKr)	7.5160	+0.0038	150 - 170	7.5240	7.4590	7.53	-2.2	7.5537	-2.0	7.613	-1.3	95.0
Portugal	(Es)	176.295	+0.895	220 - 370	177.200	175.500	177.495	-8.2	179.565	-7.4	187.145	-6.2	94.1
Spain	(Pta)	143.075	+0.75	050 - 100	143.200	142.080	143.85	-6.5	145.045	-5.5	149.18	-4.3	80.0
Sweden	(SKr)	8.0656	-0.025	606 - 706	8.1080	8.0035	8.0991	-5.0	8.1446	-3.9	8.2976	-2.9	81.4
Switzerland	(SFr)	1.4658	+0.0118	653 - 663	1.4670	1.4510	1.4671	-1.1	1.4688	-0.8	1.4658	0.0	105.1
UK	(£)	1.4950	-0.0046	947 - 952	1.5030	1.4940	1.4921	2.3	1.4869	2.2	1.473	1.5	91.7
Ecu	-	1.1114	-0.0059	111 - 116	1.1170	1.0995	1.1079	3.7	1.1028	3.1	1.0901	1.9	-
SDR†	-	1.37519	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	+0.0001	000 - 001	1.0002	0.9999	-	-	-	-	-	-	-
Brazil	(Cr)	413.685	+6.71	680 - 690	413.720	413.670	-	-	-	-	-	-	-
Canada	(C$)	1.3121	+0.0022	118 - 124	1.3140	1.3110	1.3129	-0.7	1.3138	-0.5	1.3156	-0.3	88.9
Mexico	(New Peso)	3.1060	-	050 - 070	3.1075	3.1045	3.1077	-0.7	3.1118	-0.7	3.126	-0.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.3
Pacific/Middle East/Africa													
Australia	(A$)	1.4230	+0.0041	225 - 235	1.4275	1.4195	1.424	-0.9	1.4272	-1.2	1.4347	-0.8	88.4
Hong Kong	(HK$)	7.7228	-0.0022	223 - 233	7.7245	7.7220	7.7243	-0.2	7.7268	-0.2	7.7378	-0.2	-
India	(Rs)	31.3688	-0.0012	650 - 725	31.3725	31.3625	31.4488	-3.1	31.6538	-3.6	-	-	-
Japan	(Y)	111.210	-0.3	170 - 250	111.500	109.770	111.125	0.9	110.905	1.1	109.235	1.8	138.6
Malaysia	(M$)	2.7430	-0.0013	420 - 440	2.7470	2.7300	2.74	1.3	2.7385	0.7	2.758	-0.5	-
New Zealand	(NZ$)	1.7651	-0.0034	640 - 662	1.7735	1.7630	1.7664	-0.9	1.7703	-1.2	1.7809	-0.9	-
Philippines	(Peso)	27.8000	-	500 - 500	27.8500	27.6500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7495	+0.0008	490 - 500	3.7515	3.7430	3.754	-1.4	3.767	-1.9	3.7762	-0.7	-
Singapore	(S$)	1.6042	-0.0053	037 - 047	1.6090	1.5990	1.6029	1.0	1.6006	0.9	1.6142	-0.6	-
S Africa (Com.)	(R)	3.4135	+0.0005	110 - 160	3.4190	3.4080	3.4308	-6.1	3.4597	-5.4	3.562	-4.4	-
S Africa (Fin.)	(R)	4.4050	+0.045	000 - 100	4.4400	4.3800	4.432	-7.4	4.485	-7.3	-	-	-
South Korea	(Won)	809.550	-0.9	500 - 600	810.400	809.450	812.55	-4.4	816.05	-3.2	834.55	-3.1	-
Taiwan	(T$)	26.4250	-0.03	200 - 300	26.4400	26.4200	26.4839	-2.7	26.605	-2.7	-	-	-
Thailand	(Bt)	25.5100	-0.025	000 - 200	25.5200	25.4900	25.55	-1.9	25.605	-1.5	25.83	-1.3	-

†SDR rate for Jan 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for Jan 20 . Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.67	16.32	4.805	1.922	4682	5.381	20.68	484.9	393.5	22.19	4.031	1.840	3.607	2.750	305.9	2.474
Denmark	(DKr)	53.56	10	8.739	2.573	1.030	2507	2.882	11.07	259.7	210.7	11.88	2.159	0.985	1.932	1.473	163.8	1.325
France	(FFr)	61.29	11.44	10	2.945	1.178	2869	3.298	12.67	297.2	241.1	13.60	2.470	1.127	2.211	1.685	187.5	1.516
Germany	(DM)	20.81	3.886	3.396	1	0.400	974.3	1.120	4.303	100.9	81.89	4.617	0.839	0.383	0.751	0.572	63.67	0.515
Ireland	(I£)	52.02	9.713	8.488	2.500	1	2435	2.799	10.76	252.2	204.7	11.54	2.097	0.957	1.877	1.431	159.1	1.287
Italy	(L)	2.136	0.399	0.349	0.103	0.041	100.	0.115	0.442	10.36	8.405	0.474	0.086	0.039	0.077	0.059	6.534	0.053
Netherlands	(Fl)	18.58	3.470	3.032	0.893	0.357	870.1	1	3.843	90.12	73.13	4.123	0.749	0.342	0.670	0.511	56.85	0.460
Norway	(NKr)	48.36	9.030	7.891	2.324	0.930	2264	2.602	10	234.5	190.3	10.73	1.949	0.890	1.745	1.330	148.0	1.197
Portugal	(Es)	20.62	3.851	3.365	0.991	0.396	965.5	1.110	4.264	100.	81.15	4.575	0.831	0.379	0.744	0.567	63.09	0.510
Spain	(Pta)	25.41	4.745	4.147	1.221	0.489	1190	1.367	5.255	123.2	100.	5.638	1.024	0.468	0.917	0.699	77.75	0.629
Sweden	(SKr)	45.07	8.416	7.355	2.166	0.867	2110	2.425	9.320	218.6	177.4	10	1.817	0.829	1.626	1.240	137.9	1.115
Switzerland	(SFr)	24.81	4.633	4.048	1.192	0.477	1162	1.335	5.130	120.3	97.63	5.504	1	0.456	0.895	0.682	75.90	0.614
UK	(£)	54.38	10.15	8.870	2.612	1.045	2545	2.925	11.24	263.6	213.9	12.06	2.191	1	1.961	1.495	166.3	1.345
Canada	(C$)	27.72	5.176	4.523	1.332	0.533	1298	1.492	5.732	134.4	109.1	6.150	1.117	0.510	1	0.762	84.80	0.686
US	($)	36.36	6.789	5.933	1.747	0.699	1702	1.957	7.518	176.3	143.1	8.067	1.466	0.669	1.312	1	111.2	0.900
Japan	(Y)	326.9	61.03	53.34	15.71	6.284	15304	17.59	67.59	1585	1286	72.52	13.17	6.013	11.79	8.990	1000.	8.088
Ecu		40.42	7.546	6.595	1.942	0.777	1892	2.175	8.357	196.0	159.0	8.967	1.629	0.743	1.458	1.112	123.6	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Jan 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.777068	+0.00179	-3.90	7.42	26
Netherlands	2.19672	2.17527	-0.00065	-0.98	4.25	-
Germany	1.94964	1.94015	-0.00212	-0.49	3.73	-
Belgium	40.2123	40.4509	-0.0066	0.59	2.62	-4
France	6.53883	6.60206	+0.00179	0.97	2.24	-8
Denmark	7.43679	7.54569	-0.00177	1.46	1.74	-10
Portugal	192.854	196.262	-0.148	1.77	1.44	-12
Spain	154.250	159.232	+0.097	3.23	0.00	-23
NON ERM MEMBERS						
Greece	264.513	278.315	+0.138	5.22	-1.89	-
Italy	1793.19	1896.41	+1.18	5.76	-2.39	-
UK	0.786749	0.745016	+0.001567	-5.30	9.01	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

WORLD INTEREST RATES

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at *which the business was done in the 24 hours up to 5 pm on Thursday and* settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ϕ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £139⅞ 140.26

Exchequer 10½% Stk 2005 - £131⅝ 132⅞ (18Ja94)

Corporation and County Stocks

Birmingham Corp 3½% Stk 1946(or after) - £40

Birmingham District Council 11½% Red Stk 2012 - £139 (17Ja94)

UK Public Boards

Foreign Stocks, Bonds, etc- (coupons payable in London)

Leeds Permanent Building Society Collared Fltg Rte Nts 2003 (Br £ Var) - £104⅞ (14Ja94)

Lewis (John) PLC 10⅞% Bds 1996 (Br £10000&100000) - £113⅞ (18Ja94)

Lewis (John) PLC 10½% Bds 2014 (Br£10000&100000) - £131.075

Lloyds Bank PLC 9⅝% Subord Bds 2023 (Br £ Var) - £120⅓ .1375 (18Ja94)

Lloyds Bank PLC 10¼% Subord Bds 1998(Br£10000) - £114

London Electricity PLC 8% Bds 2003 (Br £ Var) - £110⅓

Morgan Guaranty Tst Co of New York 12⅞%

...

Cap Bds 2005 (Br£5000&100000) - £106⅛ (14Ja94)

Land Securities PLC 9½% Bds 2007(Br£1000&10000) - £116½ (19Ja94)

Land Securities PLC 6¾% Cnv Bds 2002(Br£1000) - £112½ (19Ja94)

Land Securities PLC 9⅜% Cnv Bds 2004 (Br£5000&50000) - £136¼ ½ ½ ⅞ (19Ja94)

Lasmo PLC 7¾% Cnv Bds 2005(Br£1000&10000) - £92½ (18Ja94)

...

£139½

Portugal(Rep of) 9% Ln Stk 2016(Reg) - £122.075 ⅛

Province de Quebec 12¾% Ln Stk 2020 - £151½ .55 (14Ja94)

Spain(Kingdom of) 11¾% Ln Stk 2010(Br) - £141½ (17Ja94)

Sweden(Kingdom of) 9¾% Ln Stk 2014(Reg) - £128¾ 7 (17Ja94)

Sweden(Kingdom of) 9¾% Ln Stk 2014(Br) - £122¾

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Investment Trusts

Miscellaneous Warrants

USM Appendix

Rule 535(2)

Westate Ld "A" Non.V Ord 25p - £14.4 (14Ja94)

Yates Bros Wine Lodges PLC Ord 25p - £2.1 (17Ja94)

Yeates Group PLC Ord 10p - £2¾ (17Ja94)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation 109

Bank of East Asia A$55¾ϕ54.15 (19/1)

Bukit Sembawang 975ϕ (18/1)

Centaur A$0.18064 (19/1)

City Devs. S$6.786 (19/1)

Commodore Int. $5ϕ (19/1)

Cons. Exploration A$0.09072 (18/1)

Far East Hotels FFr1.81 (18/1)

Harland (John H) $23⅛

Hunter Res. 31

Killinghall (Malaysia) RM5.184892 (19/1)

Kulim Malaysia 92

Do (Malay Reg) 95ϕ (18/1)

Magellan Petroleum A$2.218 (17/1)

Malayan Cement RM4.808265 (18/1)

Malaysia Airline RM8.114945 (17/1)

Malaysian Plantations 58 (18/1)

Mogul Mining 16

Murray & Roberts 16½ (18/1)

Nugget Mining 280 (17/1)

North Flinders 530 (17/1)

Oil Search 45½,6

Orbit Oil & Gas 100 (19/1)

Palabora 62½ (17/1)

Placer Res. 55 (18/1)

Regal Hotels 15 (19/1)

Sapphire Mines 5 (17/1)

Selangor Coconuts RM5.770486 (19/1)

Valiant Cons A$0.395 (19/1)

Walhalla Mining 10½ (18/1)

By Permission of the Stock Exchange Council

FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

MARKET REPORT

New peaks on the Footsie following GDP data

By Terry Byland, UK Stock Market Editor

The UK stock market put its hopes of an early base rate cut back on the shelf yesterday and moved to new peaks after the latest data on gross domestic product, money supply and bank lending data indicated *further strengthening* in the domestic economy. The FT-SE Index, led by the stock index market, challenged the 3,500 mark to establish a new trading high before closing 14.2 up on the day at 3,484.2.

The announcement that GDP had grown by 0.7 per cent over the final quarter of last year brought a confident response from Mr Kenneth Clarke, the UK chancellor of the exchequer, who repeated his budget forecast that the UK economy will expand by 2.5 per cent this year.

Equities were uncertain at first, in spite of a firm performances overnight in Far Eastern markets and on Wall Street. Second line stocks traded more calmly as the interest returned to the Footsie, futures-related stocks.

Satisfaction with the economic data was quickly reflected in the futures market where the March contract on the Footsie raced above the 3,500 mark again. The FT-SE Index itself turned from its early fall of nearly 7 points to touch 3,496.1, for a net rise of more than 26 points.

But the futures contract came off, and that proved to be the peak of the day for share prices, although a firm start to the new session on Wall Street, when the Dow Average broke through 3,900, buoyed London at the close.

Account Dealing Dates		
*First Dealings:		
Jan 4	Jan 17	Jan 31
Option Declarations:		
Jan 13	Jan 27	Feb 10
Last Dealings:		
Jan 14	Jan 28	Feb 11
Account Day:		
Jan 24	Feb 7	Feb 21

*New time dealings may take place from two business days earlier.

The FT-SE 100 Share Index has risen by 183.6 points, or about 2.5 per cent this week in good turnover. Seaq volume slipped to 979.7m shares, still at the higher end of daily averages for the past 18 months. On Thursday, Seaq volume of 1.1bn shares returned a retail worth of £2.53bn, around twice recent daily averages.

But much of the excitement at mid-week came from the massive rise on the Mid 250 Index which has gained nearly 5 per cent since last Friday. Investors have been buying Mid 250 stocks because they are on lower rating than the blue chips which captured the buying interest in the dramatic advance in the stock market before Christmas.

London was helped by strength in the leading oil stocks, on the back of US markets, and by another round of substantial gains in stocks linked to Far Eastern markets.

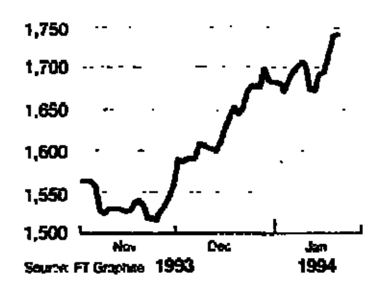
Traders said that buyers were highly stock selective, and are now shying away from the highly rated blue chip stocks which are on prospective earnings multiples of 25 times.

Base rate hopes were resurrected this week after news that retail sales dipped last month, but the London market has been discouraged by the absence of any move from the Bundesbank. The president of the German central bank said yesterday that it appeared right to hold interest rate policy "steady" for now.

Although confidence on UK inflation prospects remains high, bonds slipped lower yesterday as prices were readjusted at the end of a very successful week for the sector. Short-dated issues recorded small losses, with the longer end down by around ¼ of a point. Index-linked followed the trend of the long dated conventional government bonds.

Overseas and domestic demand for gilts, which has sustained the market this week, was reduced yesterday although the GDP and money supply data was regarded as within the bracket of market estimates.

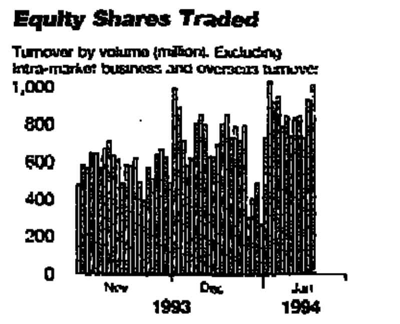
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



Key Indicators

Indices and ratios		
FT-SE Mid 250	4105.8	+0.4
FT-SE-A 350	1759.8	+5.5
FT-SE-A All-Share	1743.65	+5.59
FT-SE-A All-Share yield	3.25	(3.26)
FT Ordinary index	2668.4	+9.3
FT-SE-A Non Fins p/e	22.86	(22.79)
FT-SE 100 Fut Dec	3493.0	+9.0
10 yr Gilt yield	6.20	(6.17)
Long gilt/equity yld ratio:	2.05	(2.04)

FT-SE 100 Index	
Closing index for Jan 21	3484.2
Change over week	+83.6
Jan 20	3470.0
Jan 19	3475.1
Jan 18	3437.0
Jan 17	3407.8
High*	3496.1
Low*	3397.4

*Intra-day high and low for week

TRADING VOLUME

Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	12,000	63¾	+½
Abbey National†	4,200	508	-7
Albert Fisher	1,200	71	-2
Allied-Lyons†	1,500	883	+2
Anglian Water†	2,100	577½	-4½
Argos	393	378	+2
Argyll Group†	5,800	292	-3½
Arjo Wiggins†	812	280	
Assoc. Brit. Foods†	71	577	+2½
Assoc. Brit. Ports	148	588	+5
BAA†	1,000	1036	+5
BAT Inds.†	5,300	522	-2
BET	1,600	157½	-1½
BICC	1,600	476	+12
BOC†	1,800	897	-2
BP†	10,000	378½	+6½
BPB Inds.	2,600	354	-3
BT†	7,500	464	-4
BT (P/Paid)	12,000	205½	-4½
BTR†	5,600	365	+1
Bank of Scotland†	4,300	238	+5½
Barclays†	3,400	621	+4
Bass†	3,000	596	+4
Blue Circle†	2,400	382½	-1½
Booker	572	472	+1
Boots†	1,800	561	+3
Bowater†	415	518	+1
Brit. Aerospace†	2,500	428	+4
British Airways†	5,000	480½	-4½
British Gas†	10,000	347½	+1½
British Land	878	457	+3
British Steel†	30,000	128½	+1½
Bunzl	552	186	
Burmah Castrol†	187	846	+18
Burton	6,300	72	+2
Cable & Wire†	3,000	536	+3
Cadbury Schweppes†	1,200	529	+5
Calor Group	45	363	-1
Caradon†	1,100	447½	+2½
Carlton Comms.†	4,300	1006	-12
Coats Viyella†	241	280	+2
Comm. Union†	1,000	696	+3
Cookson	3,600	280	-1
Courtaulds†	869	522	+7
Dalgety	745	590	
De La Rue	433	957	-3
Dixons	4,100	218	-4
Eastern Elect.	1,200	871	+3
East Midland Elect.	349	680	-4
Eng China Clays	863	525	-7
Enterprise Oil†	3,200	484	+12
Eurotunnel Units	295	568	-21
FKI	621	208	+4
Fisons	3,700	141	-1
Foreign & Col. I.T.	420	299	
Forte†	3,800	268	-3
Gen. Accident†	754	728	+3
General Elect.†	6,200	338	+1
Glaxo†	4,900	661	
Glynwed	3,400	389	+8
Granada†	4,400	591	+16
Grand Met.†	5,000	498	-7
GUS†	2,400	629	+16
GRE†	2,000	297	+3
GKN	840	601	+6
Guinness†	10,000	518	-3
HSBC (75p shs)†	2,500	990	+22
Hammerson	200	413	+1
Hanson†	5,200	279½	+1½
Harrisons Crosfield	1,000	216	+1
Hays	194	314	+1
Hillsdown	3,400	165	+1
IMI	174	365	-4
ICI†	1,800	778	+20½
Inchcape†	2,900	589	+34
Johnson Matthey	697	600	+17
Kingfisher†	5,600	666	-12
Kwik Save	145	646	
Ladbroke†	3,900	207	-2
Land Securities†	1,100	759	-5
Laporte	550	822	+17
Legal & General†	861	543	+1
Lloyds Abbey	293	457	-4
Lloyds Bank†	4,200	648	+2
LASMO	6,000	130	-1
London Elect.	1,400	684	-3

	Vol. 000s	Closing price	Day's change
Lonrho	4,400	146	-½
Lucas	2,500	212	+2
MEPC†	1,000	533	-11
MFI	12,000	167	-1½
Manweb	329	774	-3
Marks & Spencer†	3,400	459½	+7½
Midlands Elect.	245	706	-7
Morrison (Wm.)	263	117	-1½
NFC†	150	287	+3
NatWest Bank†	2,600	605	
National Power†	2,900	495	-1
Next	2,700	250	
North West Water†	1,300	577	-14
Northern Elect.	30	717	-5
Northern Foods†	1,400	259	-2
Norweb	137	743	-5
Pearson†	3,900	640	+6
P & O†	3,000	685	+8
Pilkington	6,500	199	-2
PowerGen†	1,600	571	-4
Prudential†	4,200	361	-3
RMC†	377	1073	+6
RTZ†	5,500	883	+6½
Racal	1,700	213	+1
Rank Org.†	1,000	1074	+22
Reckitt & Colman†	706	681	
Redland†	5,600	622	+23
Reed Intl.†	907	902	+6
Rentokil†	464	267	+4
Reuters†	605	1897	-27
Rolls Royce†	13,000	177½	+4
Ryl Bk Scotland†	355	465	+2
Royal Insurance†	2,300	329	
Sainsbury†	5,000	460	-11
Schroders†	191	1408	+15
Scottish & New.†	659	581	-1
Scot. Hydro-Elect.	652	441	-4
Scottish Power†	1,100	450	-4
Sears†	2,400	127	+3
Sedgwick	1,200	200	+4
Seeboard	152	765	-6
Severn Trent†	1,500	504	-8
Shell Transport†	4,600	737	+4
Siebe†	3,600	592½	+16½
Slough Ests	744	296	-4
Smith (W.H.) A	1,200	545	+16
Smith & Nephew†	947	156½	-½
SmKl Beecham†	4,700	436	+4
SmKl Beecham Uts.†	1,900	399	+5
Smiths Inds.	1,500	500½	+1½
Southern Elect.†	1,200	697	-9
South Wales Elect.	219	747	+2
South West Water	72	645	-2
South West. Elect.	18	680	-6
Southern Water	763	634	-4
Standard Chartd.†	1,500	1360	+44
Storehouse	1,100	243	+2
Sun Alliance†	3,600	380	-1
T&N	1,700	241	-1
TI Group†	1,000	429	+8
TSB†	4,300	288	+1
Tarmac	7,200	202	+1
Tate & Lyle	826	455	-4½
Taylor Woodrow	1,200	180	-1
Tesco†	25,000	243½	-5
Thames Water†	396	585	-12
Thorn EMI†	778	1099	+5
Tomkins†	13,000	282	+9
Trafalgar House	8,300	109½	+1½
Unigate	103	427	+3
Unilever†	1,500	1190	-8
United Biscuits†	1,400	386	+7
Utd. Newspapers	267	673	
Vodafone†	2,200	597½	+7½
Warburg (SG)†	1,500	974	+7
Wellcome†	819	678	-3
Welsh Water	243	717	-6
Wessex Water	250	727	-17
Whitbread 'A'†	1,000	607	+11
Williams Hldgs.†	2,300	414	+5
Willis Corroon	189	239	+4
Wimpey	3,500	227	-3
Wolseley†	983	909	+18
Yorkshire Elect.	476	677	-2
Yorkshire Water	284	604	-8
Zeneca†	4,300	818	+10

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

EQUITY FUTURES AND OPTIONS TRADING

The expiry of the index options was the day's main feature in the derivatives sector leading to strong volumes in both the index futures and traded options, *writes Joel Kibazo*.

Trading in the March futures contract on the FT-SE 100 opened at 3,486 and promptly went into retreat as independent traders sold stock

The release of favourable GDP figures prompted strong buying of March, said to have been led by UBS and Monument. A large part of the demand was due to technical reasons ahead of the mid-morning expiry of the Index options and it sent March crashing through the 3,500 barrier to peak at 3,517

March drifted for the rest of the session and finished at 3,490 on hefty volume of 20,421 contracts.

Unwinding of positions as the index options expired brought closing turnover of 52,913 contracts of which 20,165 was dealt in the FT-SE 100 option, and 13,603 in the Euro FT-SE 100.

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	3486.0	3493.0	+9.0	3517.0	3466.0	21377	70701
Jun	3500.0	3508.0	+10.0	3530.0	3500.0	1390	5758
Sep	3528.0	3525.0	+11.0	3529.0	3528.0	100	200

Contract traded on APT. Open interest figures are for previous day.

FT-SE 100 INDEX OPTION (LIFFE) (*3483) £10 per full index point

	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P
Jan	283½		233½		183½		133½		83½		33½			16½		66½
Feb	299½	4½	250½	7	203½	9½	159½	15½	118	25	84	40	53½	62½	33	92½
Mar	302	12	257	16	214½	25	174	34	137	46	105½	64½	77	87	56	116
Apr	311½	20½	269	27	227	35	190	48½	153½	62	124½	82½	96½	103	75	132
Jun†	336½	36			258½	57			189	86			129	126		

Calls 8,115 Puts 12,022

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P
Jan	370		320		270		220		170		120		70		20	
Feb	368½	3	321½	4	273½	5½	226½	8	180½	12	139½	20	99½	31½	67½	49½
Mar	372	7			280	14			194½	27½			122	54		
Jun	398½	23			314½	37			239	59½			173½	92		
Sept†	426	40			347½	57½			276	82½			213	116		

Calls 5,007 Puts 8,229 * Underlying index value. Premiums shown are based on settlement prices † Long dated expiry months.

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday January 21 1994

Building & Construction	+14.56	Retailers, Food	+7.40	Property	+3.08
Print, Paper & Pckg	+14.10	Engineering	+7.22	Oil, Integrated	+2.90
Oil Exploration & Prod	+14.04	Breweries	+7.17	Financials	+2.74
Engineering, Vehicles	+13.63	Merchant Banks	+6.43	Gas Distribution	+2.19
Leisure & Hotels	+12.01	Diversified Inds	+5.44	Investment Trusts	+1.98
Support Services	+10.83	Services	+5.20	FT-SE 100	+1.92
Textiles & Apparel	+9.85	Food Manufacturers	+4.88	Consumer Goods	+1.19
Distributors	+9.58	Transport	+4.78	Banks	+1.15
FT-SE SmallCap ex IT	+9.51	Life Assurance	+4.68	Electricity	+0.76
Building Materials & Mchts	+9.48	Electronic & Elect Equpt	+4.52	Utilities	+0.36
Extractive Inds	+9.40	Mineral Extraction	+4.47	Telecommunications	-0.10
FT-SE Mid 250 ex IT	+9.06	Chemicals	+4.44	Water	-0.98
FT-SE SmallCap	+8.32	Non-Financials	+3.92	Retailers, General	-1.90
FT-SE Mid 250	+8.29	Spirits, Wines & Ciders	+3.82	Pharmaceuticals	-1.95
Health Care	+7.67	FT-SE-A All-Share	+3.66	Household Goods	-2.85
Gen Manufacturers	+7.65	FT-SE-A 350	+3.34	Tobacco	-5.69
Media	+7.51	Insurance	+3.27	Gold Mines Index	-10.48

TV stocks active on ruling

The predatory television stocks, Granada and Carlton Communications, rallied on the news that their respective bids would not be referred to the MMC providing certain undertakings were met. The afternoon announcement caused some confusion, with Carlton's shares – already marked down on the day through profit-taking – dipping to 986 at one point before the company said it had already indicated its willingness to give such undertakings. Shares recovered to finish down 12 at 1006p, while Granada moved up 16 to 591p. LWT were up 11 to 699p and Central down 50 to 3065p.

Elsewhere profit-taking knocked Reuters back 27 to 1897p and EMAP lost 9 to close at 465p. Reed and Pearson were slightly stronger on the day, closing at 902p, up 6, and 640p, up 6, respectively.

Standard surges

The upsurge in Standard Chartered shares continued unabated, with many brokers, but few marketmakers, taken aback by the speed of the latest upsurge. "The marketmakers remain acutely short of stock and until this is unwound and the mistaken bid stories dissipate, the shares will continue to move up," said one long-standing observer of the company.

Standard is due to report preliminary results on March 9 and is expected by shrewd market observers to achieve pre-tax profits close to the top of the range, said to be between £360m and £450m.

Talk of stakebuilding and bid stories are still regarded by the leading marketmakers as wide of the mark. Lloyds Bank, which retains a near 5 per cent from its mid-1980's tilt at the Standard, and at least one of the big Swiss banks, are said to have taken a hard and long look at Standard, who's Pacific Rim and African interests are the envy of the international banking community.

Standard shares rocketed to a record 1360p, up 44 on the day and a massive 198 higher on the week. Turnover yesterday reached 1.5m shares. NatWest Securities was a strong supporter of Standard yesterday; "Standard has underperformed by 3 per cent over the month, is trading on less than 10 times 1994 earnings and will see a sharp rise in both dividend cover and balance sheet ratios," the broker said yesterday.

Redland strong

Building materials group Redland was one of the FT-SE 100's best performers, the shares rising 23 to 622p, after stories that the shares were being given a strong push by Cazenove, the company's own stockbroker. Cazenove wields immense influence in the stockmarket but adheres strictly to a long-standing policy of not commenting on its corporate and agency broking activities

"There has been some persistent and sizeable demand for Redland shares," said one building sector specialist, who added that the share price may well have been pushed ahead by recent market stories that a series of Europe-wide interest rate cuts could be in the pipeline.

A quiet day in pharmaceuticals was dominated by a positive trading statement from Zeneca, up 10 to 818p. "Not a dramatic bit of news" was how one analyst described it, although others were more complimentary; Mr Nigel Barnes at Hoare Govett said Zeneca and Glaxo, flat at 661p, were the only two stocks that were still attractive in terms of yield. "The rest of the sector has been looking a bit tired," he said.

SmithKline Beecham 'A' shares were up 4 at 436p, little affected by NatWest's Securities issue of 50m warrants. Mr Nick Conington at NatWest said that over the long term, the stock appeared undervalued. "It's too early to call the stock a buy - we have to wait and see," he said.

Among supermarket groups, Park Food saw improved sales and earnings and the shares climbed 3 to 294p, after touching 303p. The majors were weak on a combination of profit-taking and lingering concerns over the industry's direction in the wake of Tesco's trading statement this week. The company cut its capital expenditure, made provisions for property write-downs and signalled its intention to grow dividends, in the face of continuing margin pressure. How market leader J Sainsbury will respond to the Tesco move is *the question being pondered in* food retail circles, and it was concern over this that saw the shares come off 11 to 460p. Tesco fell 5 to 243½p.

Food manufacturers were subdued, although Hazlewood declined 5 to 174p on talk of poor Christmas sales.

Stores were mixed although Great Universal Stores surged 16 to 629p amid a market rumour of an impending warrant to be issued by a leading securities house. Talk of healthy margins at Marks and Spencer underpinned the shares, up 7½ at 459½p. WH Smith jumped 16 to 545p ahead of results next week, while MFI Furniture, also reporting, slipped 1½ to 167p. Despite market talk of weak margins over Christmas, brokers close to the company are confident of profits above the average of market forecasts. The range is £18-25m.

Shares in business services group Inchcape, moved sharply ahead after Robert Fleming reiterated its buy recommendation on the stock. The move follows Thursday's recommendation from US investment bank Goldman Sachs and the shares jumped 34 to 589p, on volume of 2.9m. Mr Mike Smith at Fleming said the stock had been left behind due to uncertainty about trading at Gestetner in which it has a 15 per cent stake and nerves about next Thursday's trading update. Gestetner closed 12 ahead at 171p, following favourable comment on its results.

European demand continued for British Steel following a Credit Lyonnais recommendation earlier this week. The shares hardened 1½ to 128½p as turnover soared to 27m.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo, Steve Thompson,
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■ Other statistics, Page 19

CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Bimec	8¼	+	3
Cardiff Prop	265	+	20
City of Lon PR	93	+	8
City Site Est	63	+	11
Dixon Motors	210	+	13
Edin Fd Mngrs	622	+	49
Gestetner	173	+	14
Haynes Publ	450	+	42
Hidong Est	93	+	13
ICI	776	+	20½
Inchcape	589	+	34
Indust Cntrl Sv	164	+	14
Klearfold	107	+	19
Proudfoot	76	+	11
Spandex	530	+	45
Sutcliffe Speak	63	+	7
Treatt	229	+	26
Welpac	35	+	6
Falls			
Bakyrchik	342	–	28
Bnt Bloodstock	113	–	9
Iceland	187	–	20
LPA	49	–	3
Spring Ram	72	–	4

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (370).

GILTS (1) BANKS (7) ANZ, Anglo Irish, Espirito Santo, HSBC, Natl. Australia, Standard Chartered, TSB, **BREWERIES (2)** Fuller S.T.A., Whitbread, **BUILDING & CNSTRN (16) BLDG MATLS & MCHTS (12) CHEMICALS (3)** Laporte, Perstorp, Wolstenholme Rink, **DISTRIBUTORS (17) DIVERSIFIED INDLS (8)** Antofagasta, Charter, Hutch Whmp, Suter, Do. Warrants, Tomkins, Do. Pf., Unitare, **ELECTRICITY (1)** PowerGen, **ELECTRNC & ELECT EQUP (12) ENGINEERING (21) ENG. VEHICLES (9)** Bostrom, Coverdale, First Tech, GKN, Lond, Lucas Inds, Do. Warrants, Mid-States, Trinity, **EXTRACTIVE INDS (9) FOOD MANUF (6)** Assoc. Brit Foods, Canadian Pizza, Devro, Kerry Group A, Matthews (B), Treatt, **HEALTH CARE (8)** Amersham, Associated Nursing, Community Hospitals, Court Cavendish, Isotron, M.L. Labs, Nestor-BNA, Westminster Healthcare, **HOUSEHOLD GOODS (7)** Lilipur, Lincoln House, Osborne & Little, Paterson Zochonis, Do. A N/V, Relyon, Royal Doulton, **INSURANCE (4)** CLM, Commercial Union, GRE, Lowndes Lambert, **INVESTMENT TRUSTS (88) INVESTMENT COMPANIES (11) LEISURE & HOTELS (13) LIFE ASSURANCE (2)** Transatlantic Hldgs, Do. B Cpc Cv Pf, **MEDIA (15) MERCHANT BANKS (2)** Schroders, Warburg (S.G.), **OIL EXPLORATION & PROD (2)** OGC, Scott Pickford, **OIL, INTEGRATED (1)** Brit. Petm, **OTHER FINANCIAL (19) OTHER SERVS & BUSNS (4)** Calderburn, Londu, Plantsbrook, UDO, **PHARMACEUTICALS (2)** Astra AB B, Elan Corp., **PRTNG, PAPER & PACKG (14) PROPERTY (28) RETAILERS, FOOD (2)** Park Food, Watson & Philip, **RETAILERS, GENERAL (7)** Christies Int'l, Essex Furniture, Next, Rosebys, Smith (W. H.) A, Tie Rack, Wyevale Garden Centres, **SPIRITS, WINES & CIDERS (1)** Guinness, **SUPPORT SERVS (11) TEXTILES & APPAREL (4)** Abbeycrest, Allied Textile, Readicut, Yorklyde, **TRANSPORT (11) WATER (1)** York Waterworks, **AMERICANS (2) CANADIANS (6)**

NEW LOWS (9).

GILTS (2) BUILDING & CNSTRN (1) Barcom, **CHEMICALS (1)** Cambridge Isotope Labs, **DISTRIBUTORS (1)** Intl Food Machinery, **INVESTMENT COMPANIES (1)** Schroder Japanese Warrants, **MEDIA (1)** Harrington Kilbride, **TEXTILES & APPAREL (1)** Bullers, **AMERICANS (1)** General Host.

FT - SE Actuaries Share Indices — The UK Series

	Jan 21	Day's chge%	Jan 20	Jan 19	Jan 18	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1993/94 High		1993/94 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	3484.2	+0.4	3470.0	3475.1	3437.0	2781.2	3.38	5.04	24.62	2.39	1277.11	3484.2	21/1/94	2737.6	19/1/93	3484.2	21/1/94	986.9	23/7/84
FT-SE Mid 250	4105.8	—	4105.4	4148.8	4013.3	2909.0	2.97	4.63	26.57	7.21	1491.73	4148.8	19/1/94	2878.3	13/1/93	4148.8	19/1/94	1379.4	21/1/86
FT-SE Mid 250 ex Inv Trusts	4119.6	+0.1	4117.3	4160.7	4024.4	2928.5	3.06	4.96	25.06	7.37	1491.94	4160.7	19/1/94	2874.6	1/1/93	4160.7	19/1/94	1378.3	21/1/86
FT-SE-A 350	1759.8	+0.3	1754.3	1760.6	1732.3	1367.9	3.29	4.95	25.05	1.64	1321.41	1760.6	19/1/94	1348.7	19/1/93	1760.6	19/1/94	664.5	14/1/86
FT-SE SmallCap	2023.71	+0.4	2015.79	2014.21	1978.95	1435.92	2.71	3.38	38.11	1.91	1536.12	2023.71	21/1/94	1377.88	4/1/93	2023.71	21/1/94	1363.79	31/12/92
FT-SE SmallCap ex Inv Trusts	1990.41	+0.5	1979.80	1977.35	1943.81	1448.43	2.86	3.72	35.37	2.09	1513.60	1990.41	21/1/94	1380.06	4/1/93	1990.41	21/1/94	1363.79	31/12/92
FT-SE-A ALL-SHARE	1743.65	+0.3	1738.06	1743.78	1715.63	1348.55	3.25	4.84	25.64	1.63	1332.46	1743.78	19/1/94	1330.19	19/1/93	1743.78	19/1/94	61.92	13/12/74

FT-SE Actuaries All-Share

	Jan 21	Day's chge%	Jan 20	Jan 19	Jan 18	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1993/94 High		1993/94 Low		Since Compilation High		Since Compilation Low	
10 MINERAL EXTRACTION(18)	2678.07	+1.0	2651.33	2640.20	2606.42	1884.40	3.29	4.76	26.02	0.00	1044.66	2678.07	21/1/94	1850.00	19/1/93	2678.07	21/1/94	980.20	19/2/86
12 Extractive Industries(4)	4065.22	+0.4	4047.45	3932.67	3827.46	3130.50	3.07	4.50	26.29	0.00	1093.98	4065.22	21/1/94	2891.30	7/5/93	4065.22	21/1/94	1000.00	31/12/85
15 Oil, Integrated(3)	2587.87	+1.1	2558.99	2564.57	2540.38	1738.10	3.38	4.94	25.26	0.00	1029.01	2587.87	21/1/94	1718.90	19/1/93	2587.87	21/1/94	982.30	20/2/86
18 Oil Exploration & Prod(11)	2011.13	+1.2	1987.49	1968.72	1941.80	1753.30	2.97	3.57	35.98	0.00	1140.40	2143.18	9/3/93	1666.40	15/1/93	3944.10	8/8/90	650.30	28/7/88
20 GEN MANUFACTURERS(283)	2176.37	+0.7	2160.26	2168.27	2134.44	1620.80	3.39	3.11	44.22	1.40	1077.47	2176.37	21/1/94	1594.60	13/1/93	2176.37	21/1/94	988.10	14/1/86
21 Building & Construction(31)	1498.05	—	1498.65	1508.76	1459.44	800.40	2.37	1.19	80.00†	0.29	1145.92	1508.76	19/1/94	794.40	20/1/93	2125.80	16/7/87	538.30	9/9/92
22 Building Matls & Merchs(29)	2390.62	+0.7	2374.58	2380.48	2343.23	1397.70	2.85	2.45	56.05	1.14	1095.36	2390.62	21/1/94	1368.30	12/1/93	2390.62	21/1/94	954.80	9/9/92
23 Chemicals(20)	2431.15	+1.2	2402.35	2395.25	2339.80	2034.90	3.80	0.35	‡	0.39	1044.60	2431.15	21/1/94	1999.20	13/1/93	2431.15	21/1/94	979.50	14/1/86
24 Diversified Industrials(16)	2135.90	+0.7	2121.04	2141.89	2134.63	1800.40	4.16	4.18	30.91	2.39	1055.91	2141.89	19/1/94	1758.20	19/1/93	2141.89	19/1/94	964.80	21/1/86
25 Electronic & Elect Equip(34)	2201.24	+0.8	2182.79	2171.23	2143.91	1695.70	3.34	5.46	22.33	1.10	1045.93	2222.00	6/10/93	1653.10	13/1/93	2222.00	6/10/93	986.80	29/9/86
26 Engineering(72)	1922.13	+1.1	1901.93	1907.41	1860.85	1341.10	2.82	2.01	80.00†	2.11	1073.79	1922.13	21/1/94	1297.50	1/1/93	1922.13	21/1/94	962.80	10/11/87
27 Engineering, Vehicles(12)	2417.47	+0.7	2400.15	2408.47	2352.66	1743.10	4.29	3.19	43.96	0.00	1136.28	2417.47	21/1/94	1697.00	19/5/93	2417.47	21/1/94	995.60	14/1/86
28 Printing, Paper & Pckg(27)	2971.81	+0.3	2964.36	2978.12	2930.11	2178.20	2.72	4.23	28.56	0.37	1141.19	2978.12	19/1/94	2148.10	19/1/93	2978.12	19/1/94	973.30	14/1/86
29 Textiles & Apparel(22)	1995.14	+0.3	1988.87	2013.61	1995.00	1631.90	3.28	4.96	25.23	0.14	1098.56	2013.61	19/1/94	1761.80	14/7/93	2325.00	2/10/87	960.60	24/9/90
30 CONSUMER GOODS(94)	3044.03	—	3042.55	3047.77	3017.32	2941.20	3.66	6.44	18.31	5.82	1014.30	3072.80	4/1/93	2568.10	21/7/93	3080.00	22/12/92	967.50	14/1/86
31 Breweries(17)	2458.97	+0.6	2443.48	2464.52	2416.63	2103.30	3.70	6.93	17.75	9.84	1077.45	2464.52	19/1/94	1915.00	4/6/93	2464.52	19/1/94	962.00	14/1/86
32 Spirits, Wines & Ciders(10)	3194.07	-0.6	3214.66	3085.97	3080.73	2856.10	3.32	6.02	19.53	19.74	1046.54	3214.66	20/1/94	2579.40	10/11/93	3467.00	11/5/92	967.50	14/1/86
33 Food Manufacturers(24)	2579.20	—	2579.04	2600.64	2565.84	2338.90	3.52	6.49	18.27	2.80	1050.02	2600.64	19/1/94	2137.90	21/7/93	2600.64	19/1/94	946.10	14/1/86
34 Household Goods(12)	2781.88	—	2782.61	2790.16	2769.33	2421.80	3.08	6.60	17.55	0.00	971.52	2866.10	29/12/93	2156.20	21/5/93	2866.10	29/12/93	927.10	21/1/86
36 Health Care(20)	1902.10	+0.3	1896.27	1908.13	1865.10	1868.10	2.82	5.08	23.62	0.82	1077.37	1908.13	19/1/94	1857.90	12/11/93	2047.40	28/9/87	972.60	21/1/86
37 Pharmaceuticals(10)	3195.66	+0.4	3183.06	3247.23	3328.88	3533.30	3.77	6.35	18.34	0.00	930.50	3792.60	4/1/93	2684.70	21/7/93	4168.90	14/1/92	953.70	13/1/86
38 Tobacco(1)	4379.10	-0.3	4391.69	4395.88	4362.33	4046.40	4.80	7.27	16.04	0.00	943.09	4739.83	29/12/93	3571.80	19/5/93	4739.83	29/12/93	982.08	9/1/86
40 SERVICES(221)	2194.78	+0.2	2189.56	2207.77	2168.88	1773.20	2.70	5.13	23.77	2.25	1053.40	2207.77	19/1/94	1739.60	7/5/93	2207.77	19/1/94	944.90	23/1/86
41 Distributors(31)	3243.97	+2.4	3166.50	3182.01	3111.04	2388.70	2.58	4.81	25.24	1.24	1096.36	3243.97	21/1/94	2348.60	20/1/93	3243.97	21/1/94	988.50	21/1/86
42 Leisure & Hotels(22)	2327.76	+0.6	2313.03	2323.50	2297.66	1703.80	3.49	5.22	23.64	8.84	1126.12	2327.76	21/1/94	1692.30	13/5/93	2359.10	8/9/89	975.40	21/1/86
43 Media(40)	3161.15	-0.2	3168.12	3180.29	3108.39	2144.40	1.93	3.91	30.59	1.22	1075.63	3168.12	20/1/94	2140.30	25/1/93	3168.12	20/1/94	976.20	9/1/86
44 Retailers, Food(17)	1851.79	-1.7	1882.95	1914.20	1848.57	2178.40	3.31	8.62	14.40	1.67	1075.15	2238.20	28/1/93	1495.90	11/11/93	2238.20	28/1/93	917.40	21/1/86
45 Retailers, General(43)	1880.65	+0.9	1863.13	1886.52	1868.45	1472.00	2.52	4.91	25.62	1.33	981.89	1834.24	29/12/93	1427.20	11/2/93	1934.24	29/12/93	870.10	9/12/88
48 Support Services(40)	1859.83	+0.3	1854.78	1862.97	1821.04	1500.50	2.10	6.14	18.64	0.63	1108.80	1862.97	19/1/94	1426.40	1/1/93	1862.97	19/1/94	939.00	1/2/91
49 Transport(16)	2735.43	+0.1	2733.06	2765.16	2718.19	1984.00	3.06	3.33	34.01	2.48	1048.77	2765.16	19/1/94	1912.80	13/1/93	2765.16	19/1/94	960.00	14/1/86
51 Other Services & Business(12)	1329.63	—	1329.63	1339.75	1320.88	1351.20	3.57	3.24	43.95	0.00	1118.18	1400.80	8/2/93	1128.01	13/12/93	2458.30	16/7/87	983.10	14/1/86
60 UTILITIES(36)	2690.45	-0.4	2700.41	2699.18	2651.31	1962.40	3.70	7.91	15.24	3.81	1005.39	2741.80	29/12/93	1955.00	21/1/93	2741.80	29/12/93	802.50	3/10/86
62 Electricity(17)	2514.81	-0.5	2528.12	2605.40	2447.90	1564.70	3.29	9.84	12.48	10.29	1012.92	2588.10	29/12/93	1528.70	3/2/93	2588.10	29/12/93	995.30	7/1/91
64 Gas Distribution(2)	2312.80	+0.4	2303.56	2279.84	2244.59	1879.90	5.07	7.35	17.01	0.00	1021.91	2375.97	16/12/93	1827.50	13/1/93	2379.30	16/12/93	994.90	9/12/86
66 Telecommunications(4)	2402.06	-0.2	2407.09	2416.53	2386.15	1818.80	3.29	5.89	20.80	0.00	998.99	2461.20	29/12/93	1812.00	21/1/93	2461.20	29/12/93	802.50	3/10/86
68 Water(13)	2062.38	-1.4	2091.56	2122.93	2068.32	1618.70	4.48	10.98	10.05	3.48	992.29	2122.93	19/1/94	1589.50	21/1/93	2122.93	19/1/94	924.70	1/5/90
69 NON-FINANCIALS(632)	1852.88	+0.3	1847.49	1852.84	1825.18	1489.46	3.32	5.36	22.86	2.00	1272.83	1852.88	21/1/94	1474.32	19/1/93	1852.88	21/1/94	63.49	13/12/74
70 FINANCIALS(105)	2685.35	+0.6	2669.50	2680.73	2628.32	1743.50	3.11	2.99	47.90	0.57	1027.68	2685.35	21/1/94	1669.70	13/1/93	2685.35	21/1/94	972.20	23/1/86
71 Banks(10)	3498.78	+1.0	3464.06	3457.02	3409.82	2168.50	2.71	3.54	37.85	0.08	1011.53	3498.78	21/1/94	2040.40	13/1/93	3498.78	21/1/94	950.60	23/1/86
73 Insurance(18)	1587.49	+0.4	1580.67	1564.96	1546.63	1300.10	4.24	‡	‡	0.00	1032.71	1586.39	7/1/94	1261.60	19/1/93	1624.20	29/12/88	870.90	25/8/92
74 Life Assurance(6)	2849.25	-0.4	2861.35	2921.37	2854.01	2269.10	4.10	4.27	29.47	0.00	1046.78	2921.37	19/1/94	2181.50	13/1/93	2921.37	19/1/94	967.70	23/1/86
75 Merchant Banks(5)	3632.14	-0.1	3635.38	3662.20	3598.15	1964.90	2.44	6.02	20.38	0.00	1064.26	3662.20	19/1/94	1884.10	1/1/93	3662.20	19/1/94	982.80	27/1/86
77 Other Financial(25)	2175.16	+0.3	2168.08	2201.69	2121.79	1203.20	2.86	4.98	25.30	4.53	1131.72	2201.69	19/1/94	1186.89	13/1/93	2201.69	19/1/94	856.30	1/10/90
79 Property(40)	1850.30	—	1850.02	1880.08	1792.84	998.50	3.33	3.01	45.57	1.53	1037.87	1880.08	19/1/94	988.80	5/1/93	2132.40	5/8/89	718.40	16/9/92
80 INVESTMENT TRUSTS(119)	3089.40	-0.4	3100.78	3128.24	3037.93	2068.90	2.05	1.64	80.83	3.32	1021.24	3128.24	19/1/94	2041.30	11/1/93	3128.24	19/1/94	977.20	14/1/86
89 FT-SE-A ALL-SHARE(856)	1743.65	+0.3	1738.06	1743.78	1715.63	1348.55	3.25	4.84	25.64	1.63	1332.46	1743.78	19/1/94	1330.19	19/1/93	1743.78	19/1/94	61.92	13/12/74

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3477.5	3463.9	3487.6	3492.1	3481.1	3479.3	3477.8	3481.9	3483.4	3496.1	3403.3
FT-SE Mid 250	4105.9	4099.8	4106.2	4113.9	4111.3	4108.6	4104.4	4104.9	4105.9	4114.2	4098.6
FT-SE-A 350	1757.2	1751.3	1761.2	1763.7	1759.2	1758.2	1757.3	1758.6	1759.5	1765.2	1751.0

Time of FT-SE 100 High: 10.20 am Low: 9.02 am

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1472.5	1465.1	1466.7	1467.2	1471.4	1469.3	1468.6	1469.8	1468.2	1467.5	1471.3	-3.8
Pharmaceuticals	3156.7	3140.8	3168.7	3171.9	3160.0	3153.6	3149.4	3151.9	3164.2	3160.5	3148.3	+12.2
Water	2092.2	2074.4	2076.1	2085.5	2077.1	2074.0	2084.3	2068.6	2059.0	2061.1	2090.6	-29.5
Banks	3529.7	3514.2	3525.9	3533.8	3521.9	3521.5	3524.8	3538.0	3538.8	3542.6	3507.4	+35.2

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE Total Return Indices	31/12/92	1000.00	FT-SE Mid 250 ex Inv Trusts	31/12/85	1412.60	Water	29/12/89	1068.45	UK Gilts Indices	31/12/75	100.00
FT-SE SmallCap	31/12/92	1363.79	FT-SE-A 350	31/12/85	682.94	Non-Financials	10/4/62	100.00	Index-Linked	30/4/82	100.00
FT-SE SmallCap ex Inv Trusts	31/12/92	1363.79	FT-SE 100	31/12/83	1000.00	FT-SE-A All-Share	10/4/62	100.00	Debs and Loans	31/12/77	100.00
FT-SE Mid 250	31/12/85	1412.60	Electricity	31/12/90	999.85	All Other	31/12/85	1000.00			

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-SE Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. [illegible] † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. CONSTITUENT CHANGE: [illegible] CORRECTION: An adjustment has been made to the Oil Exploration Index due to a data error. To obtain corrected historic values for this index please contact FINSTAT by fax on 071-873 4610.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.01.94: Pool purchase price £/MWh	Final Prices for Trading on 21.01.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.02	18.17	18.17
0100	29.74	33.55	35.45
0130	33.70	33.55	35.45
0200	33.70	33.55	35.45
0230	25.95	33.55	35.45
0300	25.96	22.65	24.56
0330	25.55	22.65	24.56
0400	21.13	22.65	24.56
0430	21.13	20.29	22.19
0500	21.13	20.29	22.19
0530	20.43	20.42	22.33
0600	20.43	20.42	22.33
0630	20.48	20.42	22.33
0700	20.48	21.14	23.05
0730	20.48	21.14	23.05
0800	20.48	20.42	22.33
0830	20.71	21.14	23.05
0900	22.35	21.62	23.53
0930	22.65	21.62	23.53
1000	24.98	21.62	23.53
1030	24.88	24.89	26.59
1100	24.88	24.89	26.59
1130	24.98	24.89	26.59
1200	24.66	24.89	26.59
1230	22.85	39.52	41.42
1300	22.65	39.52	41.42
1330	22.35	39.52	41.42
1400	17.83	30.15	32.06
1430	17.82	20.94	22.84
1500	17.82	20.94	22.84
1530	17.82	18.00	18.00
1600	17.82	17.88	17.98
1630	17.82	20.67	22.58
1700	29.20	20.94	22.84
1730	33.70	20.94	22.84
1800	33.70	20.94	22.84
1830	29.41	20.94	22.84
1900	29.41	20.94	22.84
1930	24.61	20.94	22.84
2000	23.23	20.94	22.84
2030	22.96	20.67	22.58
2100	22.64	20.67	22.58
2130	22.64	20.67	22.58
2200	21.90	20.67	22.58
2230	17.82	18.00	18.00
2300	17.80	17.98	17.98
2330	17.79	17.98	17.98
2400	17.79	18.01	18.01

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.88/MWh becomes 1.088p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the [illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Pilgrim Unit Trust Mngmt Ltd (0830)F
39 Pilgrim Street, Newcastle upon Tyne NE1 6RQ
Administration & Dealing:
Unit Trust Accounting & Management Ltd
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	6	107.53	109.34	116.32	-0.08	-
European	6	68.1	69.66	74.11	+0.17	0.26
Global	6	69.59	71xd	73.69	+0.21	-
Pacific	6	68.5	69.65	74.1	-0.05	0.05
UK Income & Growth	6	68.65	69.81	74.27	+0.28	1.63
UK Inc & Gwth Acc	6	73.6	74.85	79.63	+0.27	1.63

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Royal Life Insurance Ltd

Skandia Life Assurance Co Ltd (z)

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Isle of Man Assurance Ltd

Labrow International Group

PanEuroLife societe anonyme

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

Rothschild Asset Management - Contd.

Royal Bank of Canada Offshore Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

GT Asset Management - Contd.

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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Foreign & Colonial Mngmt (Jersey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
US$ Cash	$11.160			-
Sterling Cash	£13.541		+0.006	-
US$ Bonds	$17.182		+0.035	-
Multicurrency Bonds	$22.850		+0.003	-
Sterling Bonds	£17.658		-0.034	-
D Mark Bonds	DM12.980		-0.021	-
European Bonds	Ecu14.892		-0.041	-
UK Equities	£14.873		+0.061	-
US Equities	$18.947		+0.049	-
Japanese Equities	Y634.5		+1.8	-
Cont Euro Equities	DM21.043		-0.056	-
UK Negative Equities	£10.184		-0.059	-
US Negative Eq	$9.848		-0.016	-
Japanese Negative Eq	Y852.5		-2.2	-
Cont Eur Negative Eqs	[illegible]		[illegible]	-
UK Geared Equities	£11.639		+0.125	-
US Geared Equities	$11.412		+0.057	-
Japanese Geared Eqs	Y945.4		+8	-
Cont Euro Geared Eqs	DM16.052		-0.101	-
Gold	$11.240		-0.178	-
Protected Capital Fees A	$11.385		-0.019	-
Protected Capital Fees B	$11.278		-0.084	-

Greece Fund Ltd

NAV Jan 13	$24.58		—	-

John Govett Management (Jersey) Ltd

Spare Sterling Fd NAV Jan 21	$24.9374		—	-
Paragon Fd NAV Dec 31	$10.44		—	-
Paragon Redemption	$10.11		—	-
[illegible] Inv Co Dec 31	$95.49		—	-
[illegible] Hedge	$11.2191	11.98	—	-
[illegible] Jan 21	$13.28		—	-
[illegible] Jan 21	$7.58		—	-
Govett India Fund	$11.72	12.16	—	-
[illegible]	[illegible]	11.3601	—	-
Sterling Balanced Hedge	£9.9149	10.58	—	-
[illegible] Hedge	SFr10.2087	10.97	—	-
Govett Mngd Fms Jan 21	£13.58	14.65	—	-
Govett Mngd Fms Jan 21	$09.58	10.48	—	-

INVESCO International Limited

All Funds deal daily except where indicated.

Sterling Denominated Income Funds

American Equity Inc	[illegible]	2.1010	-0.0040	2.73
Japan Inc & Growth	[illegible]	2.1220	+0.0010	1.85

Sterling Denominated Growth Funds

Frontier Markets	£8.1550	8.6180	-0.0470	-
[illegible] Portfolio	£2.1319	2.3040	-0.0040	1.14

Commercial Union Luxembourg SA - Contd.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Reserve Funds						
Dollar Reserve Acc	$-		10.7395	[illegible]	—	1.42
Dollar Reserve Div	$-		[illegible]	[illegible]	—	1.42
Yen Reserve Acc	Y-		1051	1062	—	1.88
Yen Reserve Div	Y-		991	1001	—	1.88
D'mark Reserve Acc	DM-		12.0496	[illegible]	—	5.10
D'mark Reserve Div	DM-		[illegible]	[illegible]	—	5.16
Stlg Reserve Acc	£-		1.3897	1.4097	—	4.59
Stlg Reserve Div	£-		[illegible]	1.0024	—	4.52
Bond Funds						
D'mark Bond Acc	DM-		57.0770	[illegible]	-0.12	5.18
Peseta Bond Acc	Pta-		316	318	—	6.27
Peseta Bond Div	Pta-		215	217	—	6.27
Sterling Bond Acc	£-		[illegible]	[illegible]	-0.20	6.16
US $ Bond Acc	$-		[illegible]	[illegible]	+0.13	3.68
Worldwide Bond Acc	SFr-		76.4129	77.89	-0.36	5.37

Creavale Group (u)

11 Rue Aldringen, L-1118 Luxembourg 071-357 6400

Managed Convertible	$-		2.38		—	-
Equity Warr (Japan)	$-		1.50		-0.09	-
Hedge Fund	$-		21.30		+0.43	-
Hedge Fund US$	$-		18.29		+0.57	-
Hedge (£)	£-		97.21		+1.37	-

DB Investment Management SA

2 Boulevard Konrad Adenauer, Lux 010 352 421011

Eurorenta	DM-		89.37	92.08	—	-
Dollarrenta	$-		57.47	59.20	—	-
DM Reserve	DM-		180.12	181.73	—	-

Den norske Bank

11 rue Aldringen, 2960 Lux 010 352 468161

DnB 1 Nordic Bond	Nkr-		13891.59		-2.22	-
DnB 1 Nordic Equities	Nkr-		12879.08		-40.64	-

Diss Income Fund

60 Blvd Pereuse, L 23220, Luxembourg (352) 407330

DISA Income	R-		46.91		—	16.57

Dolphin Intl Investments (u) SICAV

14 rue Aldringen, L-1118 Luxembourg 0534 27391

Covell Capital Builder	£-		1.3611		—	-
Intl Growth & Income	$-		5.8792		—	-
International Bond	$-		5.4410		—	-

Dresdnerbank Asset Mngmt SA (u)

13 Rue Beaumont, L-1219 Luxembourg

[illegible]	DM-		81.22	82.86	—	

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Jan21 / US$)

EUROPE

AFRICA

PACIFIC

INDICES

	Jan 21	Jan 20	Jan 19	1993/4 High		1993/4 Low	
Argentina							
General (29/12/77)	(u)	21389.9	21259.0	21389.90	20/1/94	12167.66	8/3/93
Australia							
All Ordinaries(1/1/80)	2250.3	2266.2	2248.2	2268.20	20/1/94	1495.00	13/1/93
All Mining(1/1/80)	1096.1	1108.4	1089.6	1108.40	20/1/94	584.70	13/1/93
Austria							
Credit Aktien(30/12/84)	449.87	452.60	454.30	464.30	19/1/94	300.28	14/1/93
Traded Index(2/1/91)	1183.54	1193.42	1205.84	1205.84	19/1/94	712.06	15/1/93
Belgium							
BEL20 (1/1/91)	1492.41	1501.10	1509.67	1509.67	19/1/94	1125.46	4/1/93
Brazil							
Bovespa (29/12/83)	(u)	69968.0	64202.0	69968.00	20/1/94	714.72	4/1/93
Canada							
Metals Minls♦(1975)	(u)	3717.27	3726.96	3726.96	19/1/94	2743.31	21/1/93
Composite♦ (1975)	(u)	4542.40	4562.90	4562.90	19/1/94	3275.80	21/1/93
Portfolio§§ (4/1/83)	(u)	2175.15	2175.55	2176.55	19/1/94	1720.97	21/1/93
Chile							
IPGA Gen (31/12/80)	(u)	4418.3	4398.9	4418.30	20/1/94	2612.59	10/5/93
Denmark							
CopenhagenSE(3/1/83)	397.79	402.06	401.90	402.06	20/1/94	261.90	4/1/93
Finland							
HEX General(28/12/90)	1855.9	1868.6	1867.8	1868.60	20/1/94	843.10	22/1/93
France							
SBF 250 (31/12/90)	1513.88	1521.45	1530.14	1559.03	11/1/94	1114.19	28/1/93
CAC 40(31/12/87)	2243.97	2257.81	2274.67	2331.33	11/1/94	1772.21	29/1/93
Germany							
FAZ Aktien(31/12/58)	798.41	816.46	819.01	855.67	4/1/94	598.92	14/1/93
Commerzbank(1/12/53)	2283.8	2334.7	2340.8	2459.00	4/1/94	1694.30	14/1/93
DAX (30/12/87)‡	2075.61	2116.20	2134.38	2267.98	3/1/94	1516.60	13/1/93
Greece							
Athens SE(31/12/80)	1149.37	1132.11	1170.10	1194.58	18/1/94	667.72	5/1/93
Hong Kong							
Hang Seng(31/7/64)	11459.37	11264.84	11363.77	12201.09	4/1/94	5437.80	4/1/93
India							
BSE Sens.(1979)	(u)	3752.5	3825.9	4020.80	17/1/94	2100.67	23/4/93
Indonesia							
Jakarta Comp.(10/8/82)	590.26	592.94	598.00	612.89	5/1/94	273.31	5/1/93
Ireland							
ISEQ Overall(4/1/88)	2067.46	2082.16	2075.81	2082.16	20/1/94	1191.19	11/1/93
Italy							
Banca Comm Ital (1972)	613.61	617.71	617.35	632.86	30/8/93	446.33	6/1/93
MIB General (4/1/94)	983.0	989.0	988.0	1000.00	4/1/94	944.00	10/1/94
Japan							
Nikkei 225 (16/5/49)	19307.43	19183.92	19039.40	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	290.56	286.76	284.64	306.84	10/11/93	249.64	29/11/93
Topix (4/1/68)	1569.91	1550.79	1541.15	1698.67	3/9/93	1250.06	25/1/93
2nd Section (4/1/68)	2062.42	2057.52	2046.61	2384.97	7/6/93	1851.72	26/1/93
Malaysia							
KLSE Comp.(4/4/86)	1063.76	1050.02	1081.78	1314.46	5/1/94	614.28	13/1/93
Mexico							
IPC (Nov 1978)	(u)	2656.07	2601.50	2684.17	6/1/94	1504.15	25/2/93
Netherland							
CBS TtlRtnGen(End 83)	448.1	445.4	448.2	448.20	19/1/94	295.70	4/1/93
CBS All Shr (End 83)	290.4	288.7	290.5	290.50	19/1/94	198.60	13/1/93
New Zealand							
Cap. 40 (1/7/86)	2279.82	2296.91	2266.66	2296.91	20/1/94	1495.37	21/1/93
Norway							
Oslo SE(Ind)(2/1/83)	1156.38	1153.79	1155.43	1156.38	21/1/94	668.93	27/1/93
Philippines							
Manila Comp (2/1/85)	3106.21	3112.93	3062.28	3308.37	4/1/94	1270.68	4/1/93
Portugal							
BTA (1977)	2977.7	2977.9	2961.8	2977.90	20/1/94	1608.20	14/1/93
Singapore							
SES All-S'pore(2/4/75)	595.67	591.38	599.76	641.61	4/1/94	394.10	13/1/93
South Africa							
JSE Gold (28/9/78)	1943.0♥	2063.0	2068.0	2331.00	4/1/94	775.00	5/1/93
JSE Indl. (28/9/78)	5483.0♥	5475.0	5446.0	5750.00	7/1/94	4333.00	19/4/93
South Korea							
KoreaCmpEx(4/1/80)**	870.20	878.29	887.16	898.66	13/1/94	605.93	6/3/93
Spain							
Madrid SE (30/12/85)	341.62	341.62	343.23	343.23	19/1/94	215.60	4/1/93
Sweden							
AffarsvardnGen (1/2/37)	1546.2	1541.5	1559.5	1559.50	19/1/94	879.10	28/1/93
Switzerland							
Swiss Bk Ind (31/12/58)	1355.53	1358.70	1358.31	1358.70	20/1/94	904.80	11/1/93
SBC General (1/4/87)	1051.12	1052.96	1051.73	1052.96	20/1/94	678.70	11/1/93
Taiwan							
WeightedPr (30/6/66)**	5944.87	5809.65	5810.33	6454.52	6/1/94	3068.43	9/1/93
Thailand							
Bangkok SET (30/4/75)	1408.46	1398.30	1459.74	1753.73	4/1/94	818.84	1/6/93
Turkey							
Istanbul Cmp (Jan 1986)	26072.9	27024.8	25504.5	28883.60	13/1/94	3955.53	1/1/93
WORLD							
MS Capital Int (1/1/70)$	617.9*	616.4	615.8	617.90	21/1/94	488.60	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	1471.66	1475.95	1488.83	1493.81	11/1/94	1063.02	13/1/93
Euro Top-100 (26/6/90)	1259.32	1261.13	1268.83	1268.89	19/1/94	862.73	13/1/93
JCapelDrgns (31/12/88)	(u)	354.21	359.09	385.19	5/1/94	188.92	4/1/93
Barings Emerg.(7/1/92)	173.86	171.09	170.05	173.86	21/1/94	99.81	4/2/93

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jan	2259.0	2249.0	-17.0	2274.0	2248.0	18,977	33,020
Feb	2270.0	2262.0	-17.0	2263.0	2263.0	2,071	5,871
Mar	2282.0	2283.5	-17.5	2296.5	2273.5	2,640	37,132
Jun	-	2269.0	-17.0	-	-	-	2,295

Open interest figures for previous day.

** Sat Jan 15: Taiwan Weighted Price 6087.12; Korea Comp Ex 868.65. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 21 - 2073.94 -24.42.

US INDICES

Dow Jones	Jan 20	Jan 19	Jan 18	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3891.96	3884.37	3870.29	3891.96 (20/1/94)	3241.95 (20/1/93)	3891.96 (20/1/94)	41.22 (2/7/32)
Home Bonds	105.45	105.40	105.52	109.77 (18/10/93)	100.49 (11/1/93)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1814.00	1826.87	1822.58	1834.81 (14/1/94)	1453.84 (4/1/93)	1834.81 (14/1/94)	12.32 (8/7/32)
Utilities	220.41	220.08	220.60	256.46 (31/8/93)	217.14 (8/1/93)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3915.60 (3909.97) Low 3857.91 (3839.34) (Theoretical♦) Day's high 3893.09 (3885.49) Low 3877.61 (3864.36) (Actual♦)

Standard and Poors	Jan 20	Jan 19	Jan 18	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	474.98	474.30	474.25	475.27 (10/1/94)	429.05 (8/1/93)	475.27 (10/1/94)	4.40 (1/6/32)
Industrials	553.39	552.98	552.91	553.49 (10/1/94)	496.43 (26/4/93)	553.49 (10/1/94)	3.62 (21/6/32)
Financial	44.83	44.60	44.56	48.49 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	263.23	262.95	262.76	263.23 (20/1/94)	236.21 (8/1/93)	263.23 (20/1/94)	4.46 (25/4/42)
Amex Mkt Val	484.81	483.28	431.94	484.81 (20/1/94)	395.84 (8/1/93)	484.81 (20/1/94)	29.31 (9/12/72)
NASDAQ Cmp	793.03	789.28	793.02	793.03 (20/1/94)	645.87 (26/4/93)	793.03 (20/1/94)	54.87 (31/10/72)

■ RATIOS

	Jan 14	Jan 7	Dec 31	Year ago
Dow Jones Ind. Div. Yield	2.62	2.65	2.68	3.17
	Jan 19	Jan 12	Jan 5	Year ago
S & P Ind. Div. yield	2.34	2.35	2.38	2.58
S & P Ind. P/E ratio	26.13	23.07	27.72	26.85

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	475.30	475.20	-0.10	475.60	475.00	37,268	180,382
Jun	476.45	476.20	-	476.45	476.10	309	4,856
Sep	-	477.70	-	477.70	477.50	26	866

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
RJR Nabisco	6,159,500	7¼	-
Telefonos	4,717,900	69¼	+1½
Comp Assoc	4,682,900	40⅜	-3⅛
East Kodak	3,434,600	42⅝	-⅝
Pfizer	2,967,500	62⅞	-⅜
Merck	2,923,300	35¼	-⅛
Chrysler	2,915,200	60¼	-¼
Glimcher	2,647,100	20¼	...
Tandem Cmp	2,475,100	13⅞	+1⅝
Gen Motors	2,408,700	60⅞	-½

■ TRADING ACTIVITY

● Volume (million)

	Jan 20	Jan 19	Jan 18
New York SE	303.746	310.829	301.408
Amex	18.630	18.263	19.501
NASDAQ	(u)	337.887	319.439
NYSE			
Issues Traded	2,713	2,725	2,719
Rises	1,108	1,112	1,198
Falls	962	979	896
Unchanged	643	634	625
New Highs	131	138	154
New Lows	15	20	22

† Correction. * Calculated at 15.00 GMT ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

Cyclical stocks push Dow over 3,900

Wall Street

Cyclical issues powered the bellwether US stock index over 3,900 for the first time yesterday morning, but the broader market sagged under the weight of profit-taking and higher bond yields, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 9.85 ahead at 3,901.81, but the Standard & Poor's 500 was 0.89 lower at 474.09. The secondary indices showed little change, with the American SE composite slipping 0.37 to 484.44 and the Nasdaq composite adding 0.18 to 793.21.

Volume on the NYSE was heavy, with 201m shares traded by 1 pm. Analysts warned that the session could grow volatile as the afternoon progressed because of the "double witching" expiration of options on individual issues and some stock indices.

Political uncertainty in Japan had little direct impact but an unfavourable reaction in the bond market brought a restrained tone to equities. By midday, the yield of the benchmark 30-year US Treasury bond had climbed to 6.285 per cent amid concern that the failure of a reform package to win parliamentary approval would cause Japanese investors to unload securities.

On a day when no fresh economic data was scheduled for release, the quarterly earnings of a few pivotal companies were in sharp focus. Most notably, Caterpillar gave a big boost to the Dow when investors reacted enthusiastically to its performance in the final reporting period. The stock was marked up $2¾ to $96¾, a new 52-week high, after the heavy equipment maker announced net operating income of $1.46 a share, against small loss a year earlier.

Other stocks whose performances are closely tied to macroeconomic trends gave a lift to the blue-chip barometer, which topped 3,800 just two weeks ago. Boeing climbed $⅞ to $45⅛, matching its 52-week high, while Bethlehem Steel hit a new peak of $23, up $½. United Technologies added $¼ to $65⅞.

Large-capitalisation computer stocks somewhat offset the cyclicals' unflagging strength. Computer Associates shed $2⅞ to $38⅝ in a further reaction to the company's moderating growth in the last three months of 1993.

By contrast, technology issues on the Nasdaq continued to rebound from losses early in the week. Apple, up $2⅞ to $32⅞, set the tone after several Wall Street analysts upgraded the stock. At the close of the previous session, the company posted a 75 per cent plunge in net income due to eroding profit margins, but the figure exceeded analysts' meagre expectations.

Mexican stocks were higher in early trading as foreign interest in the market was maintained. The IPC index was up 32.85 or 1.24 per cent at 2,688.92.

In Brazil equities rebounded from early profit-taking, leaving the Bovespa index some 3.3 per cent higher at midday.

Eletrobras, the power utility, gained 8.9 per cent helped by expectations of growth and hopes of early privatisation.

Canada

Toronto lost ground at mid-session as weakening gold shares prompted investors to take profits built up in the recent rally. The TSE 300 composite index dropped 24.19 to 4,518.19 in turnover of 41.86m shares. Declines outpaced advances by 360 to 263, with 364 issues holding their ground.

EUROPE

LVMH extends decline as Paris slips back

Bourses were lower on balance, but seemed unaffected by the news from Japan, *writes Our Markets Staff.*

PARIS slipped back, having tested 2,260 at one point. The CAC-40 index closed down 13.84 at 2,243.97, a week's loss of 0.8 per cent.

Turnover was FFr5.2bn. Investors continued to focus on LVMH following Thursday's restructuring of its cross shareholdings with Guinness of the UK. It weakened FFr50 to FFr3,849, some 5 per cent lower over the week. The group commented yesterday that its sale of a 34 per cent stake in Moet Hennessy to Guinness would help long-term profitability.

James Capel, sceptical about the group's strategy, commented that a further de-rating of the stock could be expected, particularly as it had sold one of its prized assets at the bottom of the cycle.

Among related issues Christian Dior gained FFr10 to FFr370 and Bon Marche fell FFr15 to FFr720.

St Gobain was among the most active stocks after reporting better than expected 1993 figures. The shares gained FFr46 or 7.4 per cent to FFr664, with some switching out of Lafarge Coppée seen as the building materials group lost FFr13.30 to FFr459.20.

FT-SE Actuaries Share Indices

Jan 21								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1470.73	1471.49	1471.26	1470.33	1470.22	1471.87	1472.92	1471.66
FT-SE Eurotrack 200	1564.28	1565.26	1565.97	1562.71	1561.85	1563.27	1564.28	1562.83

	Jan 20	Jan. 19	Jan. 18	Jan. 17	Jan. 14
FT-SE Eurotrack 100	1475.95	1488.83	1479.03	1474.05	1466.32
FT-SE Eurotrack 200	1560.50	1570.42	1559.36	1552.53	1543.91

Base value 1000 (26/10/90). Highday: 100 - 1473.66; 200 - 1566.71 Lowday: 100 - 1469.14 200 - 1561.13

Suez dropped FFr3.30 to FFr344.50 and had no comment to make on reports that it might be considering the sale of its Groupe Victoire unit.

FRANKFURT's nervous depression was exaggerated by falling DAX futures prices and selling on the DTB options expiry deadline. The DAX index closed 40.59 lower at 2,075.61, down 3.1 per cent on the week.

Turnover, inflated by the "double-witching" in options and a large, associated sell order from a foreign investment house, rose from DM9bn to DM13.7bn.

The Ibis-indicated DAX eased only slightly in the post-bourse but Mr Jens Wiecking, at Merck Finck in Düsseldorf, said that there had been big afternoon corrections, indicating US selling, three times in the last ten days. In addition, he said, there was weakness in the bond market, with the bund future breaking a medium term uptrend.

AMSTERDAM was swayed by technical factors on the expiry of futures and options, and the AEX index closed the day up 3.54 at 428.42, a week's rise of 1.8 per cent.

The major issues diverged widely with Royal Dutch, for example, rising Fl 1.90 to Fl 212.00 and Unilever down 70 cents at Fl 226.20.

Among the smaller issues, Sphinx, the sanitary ware and ceramic tile manufacturer, added to Thursday's Fl 4.00 gain with a rise of Fl 4.50 to Fl 51.50, on news that it was to acquire Gustavsberg of Sweden, which operates in the same sector.

MILAN picked up from early losses as domestic and foreign investors resumed buying. The Comit index finished 4.10 lower at 613.61, for a 1.8 per cent rise over the week.

Montedison added L31.40 to L996.50, in volume of 97.3m shares: this week's huge volume figures have prompted speculation that one investor might be building a hefty stake, although analysts note that many institutions are rebuilding their holdings, having been short of the stock in recent months.

Insurers began lower, continuing the trend of recent days amid concerns about delays in reimbursements from the state insurer INA. Generali picked up late in the day to finish L380 higher at L38,470 and SAI was L115 higher at L17,679.

ZURICH was easier before lower January inflation data for the city triggered some buying during the afternoon. The SMI index finished down 6.6 at 3,039.3, 1.6 per cent higher on the week.

Oerlikon-Bührle picked up SFr2.50 to SFr140 in response to its forecast of higher 1993 profits after the market closed on Thursday.

STOCKHOLM rallied in late trading helped by strong overseas interest, but the Affärsvärlden general index still lost 13.5 to 1,546.2, up 2.5 per cent on the week, in turnover of SKr2.8bn.

Volvo B slipped another SKr10 to SKr634. After a firm share price rise since December, the carmaker has been affected recently by worries over its long term direction and, particularly, its relationship with Renault of France.

ATHENS recovered after the corrections of Wednesday and Thursday, the general index rising 17.26, or 1.5 per cent higher at 1,149.37, up 3.9 per cent on a volatile week.

ISTANBUL dropped 3.5 per cent amid profit-taking triggered by a surge in short-term interest rates to prop up the lira. The composite index fell *951.94 to a provisional 26,072.92,* down 9 per cent on the week.

Written and edited by William Cochrane, John Pitt and Michael Morgan

SOUTH AFRICA

Gold shares tumbled 5.8 per cent as the bullion price fell after reports of the discovery of 1,200 tons of gold belonging to the former Philippines president Ferdinand Marcos. The index shed 120 to 1,943 as Vaal Reefs fell R15 to R422.00, Western Deep shed R13.50 to R159.50 and Freegold was R5.25 lower at R65.00. Industrials added 8 to 5,483 in slow trade as the market found mild support, but lacked any clear direction. The overall index lost 70 to 4,785.

Hangover for Germany after the party in 1993

David Waller on prospects for Frankfurt equities

Last year's 46.7 per cent rise in Germany's DAX index was driven by hopes of lower interest rates and the sheer weight of money looking for a home.

These hopes ensured that the market delivered its best performance since 1985. The climb was steeper than in 1989, when reunification euphoria triggered a 35 per cent gain – and better in international terms than any major market other than Hong Kong.

After the party comes the hangover, and the the cardinal question for 1994, posed by Commerzbank in its review of investment opportunities for the current year, is whether the German market will make a smooth transition into a new phase of growth driven by earnings fundamentals.

On the basis of what has happened so far this year, such a smooth transition is unlikely. The DAX has lost its momentum: having reached 2,266.68 on the last trading day of 1993 it has sunk 8.4 per cent to close yesterday at 2,075.61.

Underpinning the new mood of caution are at least three disappointments.

The first is that the Bundesbank is proving tiresomely slow in resuming its interest cuts. Once again this week the Bundesbank failed to grasp the opportunity to cut the discount and Lombard rates from the 5.75 and 6.75 per cent levels established on October 22 last year. This compares to expectations of a discount rate of 3.75 per cent by the end of the year – expectations which are well discounted in current bund and equity prices.

The second is the fall-out from the Metallgesellschaft affair. The near collapse of Germany's 14th largest industrial company has focused investors' minds on the inadequacies of the German system of corporate control.

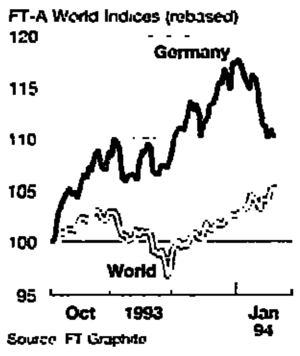
Foreign investors have placed their trust in the past in the German two-tier board system, which reposes responsibility for monitoring management with the supervisory board.

In Metallgesellschaft's case, an especially distinguished collection of bankers and industrialists sitting on the group's supervisory board failed to stop the oil-futures trading which helped lead to restated current and potential losses of DM3.3bn, or around ten times the reported loss for 1992-93.

For international investors the affair poses disconcerting questions about the level of control in place at other large German companies, many of which are large conglomerates with myriad subsidiaries like Metallgesellschaft.

Germany

FT-A World Indices (rebased)



Source: FT Graphite

Also, given the scale of the accounting adjustment (which reflects operational losses as well as the impact of the futures trading), it casts further doubt on the reliability of German accounts.

The Metallgesellschaft example lends weight to the argument that German accounting *overstates* a company's underlying operating performance during economic downturn even if, when times are better, German accounts *understate* what US or UK investors would understand as profits. When Daimler-Benz published its accounts under US Generally Accepted Accounting Principles in conjunction with the listing of its shares in New York, it reported a substantially higher loss than under German rules.

The third disappointment is that induced by Siemens' warning last week that earnings for the current year will fall by between 10 and 15 per cent in the current year, in *spite of a rise in orders.*

This was unexpected and has raised doubts about the soundness of earnings forecasts for the many companies which will be reporting interim figures in the second quarter of the year.

Add in the political uncertainty generated by the prospect of a multitude of elections in Germany this year, and the three factors combine to make German share prices look expensive, even after this month's correction.

According to Hoare Govett, the historic price earnings multiple for 1993 has reached close to 40 times earnings whilst the prospective p/e for the current year is at a record high of more than 25 times earnings. The London broker predicts that total earnings for the German market will rise by 47 per cent this year, while the increase in some industrial sectors may be as much as 76 per cent.

These increases reflect the consensus that the low-point of the German downturn has been reached and that companies will this year start to reap the benefits of their cost-cutting programmes. Hoare Govett does acknowledge misgivings about a near 50 per cent rise in earnings against a backdrop of modest economic growth – say an increase of 0.5 per cent in GDP this year – misgivings that are likely to have been accentuated by the Siemens' warning.

Prospects are modest. A senior German fund manager says that investors can look forward to a DAX level of 2,300-2,400 but refuses to commit himself to say when. Accordingly, individual stock performance will play more of a role this year than last.

Deutsche Bank Research likes car makers, capital goods and chemicals, whilst underweighting banks and maintaining only a neutral commitment to the insurance sector.

Hoare Govett, by contrast, underweights the automotive and metals sectors and takes a neutral position in chemicals, consumer goods, utilities and engineering.

ASIA PACIFIC

Misplaced optimism lifts Nikkei 1.8%

Tokyo

Optimism over the political reform bill's passage through the upper house pushed up share prices during the session, *writes Emiko Terazono in Tokyo.* However, worries over the economy emerged following the bill's defeat after the market had closed, and traders are bracing themselves for a rush of selling next week. This was reflected in trading in London where the ISE/Nikkei index fell 36.89 to 1,256.58.

The Nikkei index closed up 123.51 at 19,307.43, a week's rise of 1.8 per cent, after moving within a tight range of 19,065.81 and 19,337.93. The Topix index of all first section stocks rose 19.12 to 1,569.91.

Domestic institutions were on the selling side while foreign investors continued to buy. Volume was 450m shares against 561m. Gainers led losers by 633 to 424 with 130 issues unchanged.

While the rejection of the bill by the upper house was not ruled out most investors had remained hopeful. Towards the end of the session, buying led by arbitrageurs pushed up the index.

Nippon Telegraph and Telephone posted its 17 straight rise, advancing Y25,000 to Y880,000. East Japan Railway, another benchmark issue for market sentiment, gained Y5,000 to Y496,000.

Banks were higher on buying by foreign investors who are looking to increase their weightings in the sector ahead of next month's launch of the Nikkei 300 futures, which is heavily weighted in the sector.

In Osaka, the OSE average rose 71.22 to 21,074.78 in volume of 43.7m shares.

Roundup

Variations were seen in performance among the region's markets yesterday. Bombay was closed after a strike in the city was called by a right wing political group.

TAIWAN improved some 2.3 per cent up after a recovery in the financial sector encouraged late buying.

The weighted index added 135.22 to 5,944.87, for a week's gain of 3.5 per cent. Turnover eased slightly to T$64.8bn from Thursday's T$65.1bn.

Textile companies were among the day's best performers with analysts expecting a turnaround in the sector helped by the threefold rise in polyester fibre prices since last November.

HONG KONG overcame a weak start to end sharply higher after selective buying pushed prices up in thin turnover. The Hang Seng index closed 194.53 or 1.7 per cent higher at 11,459.37, after dropping more than 135 points shortly after the opening.

Turnover shrank to HK$7.65bn from a heavy HK$11.77bn on Thursday.

Futures surged, with January Hang Seng index contracts erasing their steep discount with a 490-point jump to 11,500.

SINGAPORE picked up on renewed buying by some institutional funds. The Straits Times Industrials index rose 22.45 or 1 per cent to 2,281.73, for a 0.9 per cent fall on the week.

Malaysia's Promet, the most active share, ended unchanged at S$1.85 after a day's high of S$1.94.

SEOUL *closed a roller-coaster session lower after profit-taking in blue chips outweighed selective buying of* low-priced shares. The composite index closed 8.09 lower at 870.20, comfortably off a day's high of 881.60, and 1 per cent lower on the week.

Daiwoo, regarded as undervalued, saw the largest trading volume. The stock went limit up Won800 to Won16,700 in volume of 1.3m shares.

Profits were taken in companies involved in the first and second mobile telecom bids ahead of Monday's auction of Korea Mobile Telecom shares. Both Sunkyong Industries and Kolon Industries went limit-down, losing Won1,300 each to Won35,600 and Won36,100 respectively.

KUALA LUMPUR rebounded on bargain hunting and renewed foreign buying. The composite index recouped 13.74 of the 60 points lost in the previous two days to finish at 1,063.76, but was still 6.3 per cent lower over the week.

AUSTRALIA ended the week lower as some investors took profits. The All Ordinaries index lost 15.9 at 2,250.3, up 2 per cent on the week. Turnover A$627.6m.

ANZ rose 6 cents to A$5.27 after reporting satisfactory first quarter results.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	THURSDAY JANUARY 20 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY JANUARY 19 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	179.90	1.7	177.86	126.80	162.35	169.76	0.8	3.03	176.95	175.86	124.04	160.44	168.42	179.90	118.12	119.41
Austria (17)	191.56	-0.2	189.39	135.02	172.87	172.60	-0.6	0.92	191.92	190.74	134.53	174.01	173.72	191.92	134.09	134.38
Belgium (42)	164.28	-0.1	162.42	115.80	148.25	146.62	-0.4	3.92	164.43	163.41	115.26	149.08	147.26	166.01	136.73	136.73
Canada (107)	144.70	-0.4	143.05	101.99	130.58	137.25	-0.5	2.45	145.31	144.41	101.86	131.75	137.98	145.31	111.41	112.36
Denmark (32)	268.52	-0.3	265.47	189.27	242.32	246.83	-0.6	0.92	269.46	267.79	188.88	244.31	248.40	269.46	195.66	204.84
Finland (22)	146.91	0.3	145.24	103.55	132.57	173.98	-0.1	0.59	146.42	145.52	102.64	132.76	174.11	146.91	65.50	69.25
France (99)	177.02	-0.4	175.01	124.78	159.75	164.15	-0.7	2.83	177.78	176.68	124.62	161.19	165.27	182.15	142.90	148.28
Germany (59)	131.86	-0.1	130.37	92.95	118.99	118.99	-0.5	1.75	131.95	131.13	92.49	119.63	119.63	142.38	105.56	107.21
Hong Kong (56)	461.56	-0.8	456.33	325.34	416.53	457.77	-0.8	2.38	465.36	462.49	326.21	421.95	461.57	506.56	225.77	235.17
Ireland (14)	207.17	0.9	204.82	146.03	186.96	202.60	0.3	2.75	205.25	203.99	143.88	186.10	201.98	207.17	129.29	138.10
Italy (68)	68.18	-1.0	67.40	48.06	61.53	88.35	-1.2	1.90	68.83	68.41	48.25	62.41	87.41	78.93	55.21	60.75
Japan (469)	139.68	0.2	138.10	98.46	126.06	98.46	0.7	0.83	139.44	138.58	97.74	126.43	97.74	165.91	100.97	101.54
Malaysia (69)	477.55	-3.0	472.14	336.61	430.96	504.73	-2.5	1.44	492.34	489.31	345.13	446.41	517.56	621.63	258.19	259.03
Mexico (18)	2397.46	1.9	2370.25	1689.89	2163.51	8141.63	1.9	0.62	2364.01	2339.46	1650.11	2134.33	7991.49	2457.89	1410.30	1664.80
Netherland (26)	203.25	-0.2	200.95	143.27	183.42	180.47	-0.6	2.94	203.67	202.41	142.77	184.67	181.63	203.67	153.15	154.10
New Zealand (14)	71.75	1.9	70.94	50.58	64.75	67.38	1.6	3.47	70.41	69.97	49.35	63.84	66.30	71.75	40.58	41.13
Norway (23)	195.03	-0.3	192.81	137.47	176.00	198.86	-0.2	1.28	195.63	194.42	137.13	177.37	199.21	195.63	138.48	146.17
Singapore (45)	333.53	-2.0	329.75	235.10	300.99	247.38	-1.8	1.67	340.31	338.21	238.55	308.56	252.02	378.92	210.83	210.83
South Africa (60)	260.13	1.2	257.17	183.35	234.74	247.89	0.7	2.29	256.95	255.36	180.12	232.97	246.27	280.26	153.88	153.98
Spain (42)	145.60	-0.6	143.94	102.63	131.39	156.99	-0.6	3.82	146.48	145.58	102.68	132.81	157.97	146.48	116.33	129.81
Sweden (36)	218.13	-0.8	215.66	153.75	196.85	261.26	-1.0	1.94	219.84	218.48	154.10	199.33	263.95	219.84	149.69	163.56
Switzerland (49)	169.15	0.3	167.23	119.23	152.65	152.48	0.0	1.43	168.56	167.53	118.17	152.84	152.53	169.16	109.14	111.65
United Kingdom (215)	213.17	0.2	210.75	150.26	192.38	210.75	-0.3	3.42	212.76	211.44	149.14	192.91	211.44	213.17	162.00	170.44
USA (518)	193.02	0.2	190.83	136.06	174.19	193.02	0.2	2.70	192.68	191.49	135.06	174.70	192.68	193.24	176.29	177.24
EUROPE (744)	173.53	-0.1	171.56	122.31	156.59	167.41	-0.5	2.71	173.63	172.56	121.71	157.43	168.20	173.63	134.16	137.50
Nordic (113)	211.03	-0.5	208.64	148.75	190.44	220.12	-0.7	1.13	212.08	210.76	148.66	192.28	221.76	212.08	142.13	151.12
Pacific Basin (722)	152.35	0.1	150.62	107.39	137.49	110.84	0.5	1.11	152.26	151.32	106.73	138.05	110.30	168.60	106.17	106.61
Euro-Pacific (1466)	161.01	0.0	159.18	113.49	145.30	132.62	0.1	1.82	161.00	160.00	112.85	145.97	132.54	162.87	118.78	119.12
North America (625)	190.01	0.1	187.85	133.93	171.47	189.16	0.1	2.69	189.72	188.55	132.99	172.01	188.88	190.01	172.67	173.24
Europe Ex. UK (529)	149.32	-0.2	147.62	105.25	134.75	142.40	-0.6	2.24	149.66	148.73	104.91	135.69	143.21	150.17	115.70	117.48
Pacific Ex. Japan (253)	273.49	-0.5	270.39	192.78	246.81	252.66	-0.6	2.40	274.79	273.09	192.62	249.15	254.27	296.21	155.37	156.19
World Ex. US (1651)	163.17	0.0	161.32	115.01	147.25	135.96	0.1	1.83	163.10	162.09	114.33	147.88	135.84	163.17	119.91	120.25
World Ex. UK (1954)	168.20	0.1	166.29	118.56	151.78	148.39	0.2	2.01	168.06	167.02	117.81	152.38	148.14	169.67	135.50	135.50
World Ex. So. Af. (2109)	171.58	0.1	169.63	120.94	154.84	152.98	0.1	2.16	171.44	170.38	120.18	155.44	152.81	171.58	138.53	138.53
World Ex. Japan (1700)	190.83	0.1	188.66	134.51	172.20	186.77	-0.1	2.64	190.70	189.52	133.68	172.91	186.97	191.28	159.32	159.32
The World Index (2169)	172.11	0.1	170.15	121.31	155.31	153.75	0.1	2.16	171.94	170.88	120.53	155.90	153.57	172.11	138.53	138.53

Latest Prices where unavailable for this edition

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied-Lyons	650	17½	41	52	3½	20½	36½
(*663)	700	1	17½	28	39	49	66
Argyll	280	15	27½	33	1½	11½	19½
(*292)	300	2	16½	23½	10½	21½	30½
ASDA	60	4	8½	11½	1	4½	6
(*64)	70	1	4½	7	7½	10	12½
Brit Airways	460	25½	42½	53	1½	16	24½
(*483)	500	2	20½	33	20	33½	45½
Smith Bchm A	420	18	36	49	2½	20½	29
(*435)	460	1½	18	31	27½	43	51½
Boots	550	13½	34	46½	3	18½	30
(*560)	600	1	14	23½	42½	48½	59
BP	360	21	33	41½	1	10½	16½
(*378)	390	2½	17½	26½	13½	25	30½
British Steel	120	9½	14½	19½	1	5½	9
(*128)	130	2	9	13½	4	10	13½
Bass	550	48½	62	72½	1½	9	18½
(*597)	600	6½	29	43	12½	29½	39½
Cable & Wire	525	18	38	54	4½	19½	31
(*538)	550	5	25½	41	18	32½	43½
Courtaulds	500	25	42½	52	2	14½	26½
(*522)	550	1	16½	26½	30	40½	54
Comm Union	650	49	58	72	1	12	20½
(*696)	700	6	26	43½	10½	33	43
ICI	750	31	51½	65	1½	31	42½
(*777)	800	2½	25½	42	26	60½	70½
Kingfisher	650	19½	47	60	3	24½	34
(*665)	700	1	23½	41	39½	52½	62
Land Secur	750	14	38	44	4	19½	32
(*758)	800	1	14½	20½	44½	49½	63
Marks & S	420	39½	48½	54½	1	5½	11
(*459)	460	5½	20	30	7	20	27
NatWest	600	11	28	42	5½	30	37½
(*604)	650	1	10½	22½	48	65½	70
Sainsbury	460	6½	28	37	6	20	31½
(*461)	500	1	11½	20½	41	47	56½
Shell Trans.	700	39½	48	59	2	14	22
(*737)	650	3	18	34	17	40½	47
Storehouse	240	5	16½	23	3½	11½	16½
(*243)	260	1	7½	14	19½	23½	28½
Trafalgar	106	5½	12	19	2	8	12½
(*109)	115	1½	9½	15	7	13½	17
Unilever	1150	45	66½	86½	1½	26½	48
(*1189)	1200	6	36	58	17½	52½	63½
Zeneca	800	24	47½	64	4	34½	46
(*819)	850	2½	23½	42	35	64½	75
Option		Feb	May	Aug	Feb	May	Aug
Grand Met	460	34	46	55	6½	13½	19
(*485)	500	10½	23½	32½	24	31½	38
Ladbroke	200	14½	21½	27	6	15½	21
(*207)	220	5	12	18	17	28	32½
Utd Biscuits	360	32	38½	43	4½	13	18½
(*385)	390	12	18½	27	15	29	34½
Option		Mar	Jun	Sep	Mar	Jun	Sep
Fisons	140	15	23	27½	12	18	21½
(*141)	160	6½	14	19	26	31	33½
Option		Feb	May	Aug	Feb	May	Aug
Brit Aero	420	23½	40	62	17	33½	43½
(*425)	460	7½	23	35	44	59	67½
BAT Inds	500	29	4147	-	7½	22	33
(*518)	550	7½	15½	25	35½	54	63
BTR	360	15	21½	30	8½	18½	23
(*365)	390	3½	8½	17	28½	38	41½
Brit Telecom	460	15	26½	35	8½	15	23½
(*464)	500	2½	9	16½	38	40½	47½
Cadbury Sch	490	42	46½	-	2½	13	-
(*529)	542	9½	18	-	21	37½	-
Eastern Elec	650	33	48	60½	9½	19½	33½
(*669)	700	8½	25	34	37½	45	59
Guinness	500	32	42½	51½	10	23	29½
(*519)	550	9	17	28	38	52½	58½
GEC	330	15	24	29	6½	11	17½
(*338)	360	3	9½	13	24½	28	35

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Hanson	260	22	25	28½	1½	5½	9
(*279)	280	8	13	17	7½	14	16
Lasmo	130	9½	16½	22½	9	15½	20
(*130)	140	6	12½	17½	16	22	26½
Lucas Inds	200	17	23½	29	4	9½	13½
(*212)	220	6	13	19	14	20½	24
P & O	650	46	59½	73½	7½	23½	30½
(*683)	700	16	32	48	30½	48½	54½
Pilkington	180	23	28	33	2½	7½	10½
(*199)	200	8½	15½	21½	9½	16½	19
Prudential	360	12½	18½	25	9½	20½	24½
(*361)	390	2½	7½	13½	31	41½	44
RTZ	850	46½	62½	83	13½	30½	38
(*881)	900	17½	35½	55½	37	56	63
Redland	600	33½	47	55½	10½	30	39½
(*621)	650	9	23	32½	37½	59½	68½
Royal Insce	317	19½	-	-	6½	-	-
(*329)	346	5½	-	-	22½	-	-
Tesco	240	12½	18½	25½	8	17½	19
(*244)	260	4	9½	15	20½	30	31½
Vodafone	550	57	75	88	6½	18	30
(*597)	600	24½	46	60½	25	39	53½
Williams	390	30	37½	43	3½	13	17½
(*413)	420	10½	20½	27½	15½	28	33
Option		Jan	Apr	Jul	Jan	Apr	Jul
BAA	1000	40	70½	88½	1½	22	37
(*1035)	1050	5½	41½	60	21	44½	60
Thames Wtr	550	36	50½	59	1	12	23
(*583)	600	3	20	30½	19½	31½	49½
Option		Mar	Jun	Sep	Mar	Jun	Sep
Abbey Natl	550	9½	13	22½	56	60	65
(*506)	600	1½	4½	11	102	103	106
Amstrad	45	6½	8½	11½	3½	5	6½
(*48)	50	4	6	8½	5½	7½	9
Barclays	600	38	49	61	21	32	37½
(*619)	650	14	26	38	49½	56	65
Blue Circle	360	34½	41½	49	10½	20½	28
(*382)	390	17	26	33½	24	36	44½
British Gas	330	26	31½	35½	5	12½	16
(*347)	360	10	18	22	19½	29	32½
Dixons	200	25½	34½	38½	5	9	15½
(*217)	220	14	22½	28	13	18	25
Hillsdown	180	14½	17½	21½	6½	14	16
(*185)	200	5½	8½	13	19	27½	29
Lonrho	140	13½	19½	25	8½	13	17
(*148)	160	5½	11½	16½	21	25½	29½
Natl Power	460	47½	60½	69½	9	20½	30
(*494)	500	23½	38	50	27	37	50½
Scot Power	460	15	26	36	36½	33	44
(*449)	500	4½	13½	22	58	61½	70
Sears	120	11½	14	16	3½	6	8
(*126)	130	6½	8½	11½	8	11½	13½
Forte	260	18½	24	31	9½	17½	22
(*267)	280	9½	14½	22	21½	29½	33½
Tarmac	200	15½	22½	29	11½	17½	22½
(*202)	220	6½	14	20½	24	29½	34
Thorn EMI	1050	74½	102	117	15	28½	48
(*1099)	1100	44	70½	87½	34½	49½	70
TSB	280	17	25½	32	11½	17	23
(*288)	300	8	16	23	23½	29	33½
Tomkins	230	15	24	29½	11½	16	23
(*232)	300	6½	14½	20½	24	27½	33
Wellcome	650	56½	73½	93½	21½	37	49½
(*678)	700	29½	49	68	46½	63½	75
Option		Apr	Jul	Oct	Apr	Jul	Oct
Glaxo	650	49	70	81½	37½	50½	65
(*662)	700	27	48½	60	67½	79	95
HSBC 75p shs	950	82	106	128	42	61	83
(*990)	1000	55	81½	100	67½	86	103
Reuters	1900	93	145	180	96	130	142
(*1905)	1950	74	120	154	125	146	167
Option		Feb	May	Aug	Feb	May	Aug
Rolls-Royce	176	9	-	-	7½	-	-
(*177)	195	2½	-	-	20½	-	-

* Underlying security price. Premiums shown are based on closing offer prices.
January 21. Total contracts: 53,701 Calls: 27,115 Puts: 26,586

TRADITIONAL OPTIONS

First Dealings	Jan. 10	Last Declarations	April 7
Last Dealings	Jan. 21	For settlement	April 18

Calls: Amstrad, Barratt Dev, Benson Grp, Brit Bloodstock, Culver Hds, LBMS, Lincoln House, Mid-States, Millgate, Peek, Rodime, Standard Chartered, Sutcliffe Speakman, Wilton, Wiggins Grp. Puts: Amstrad, Lincoln House, Marley. Puts & Calls: Costain, Courtyard Leis, Kunick, Lonrho, Minmet.

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	4	66	8	209	116	65
Other Fixed Interest	0	0	15	23	9	43
Mineral Extraction	52	81	75	369	293	379
General Manufactures	233	115	338	1,416	498	1,516
Consumer Goods	68	39	87	387	177	406
Services	167	77	281	1,066	300	1,139
Utilities	9	29	8	124	69	37
Financials	165	63	165	818	318	829
Investment Trusts	115	97	263	928	281	1,114
Others	44	41	33	238	209	153
Totals	857	598	1,273	5,578	2,330	5,740

Data based on those companies listed on the London Share Service

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	88.3	73	¾	Baring Emrg Euro	71¼		-	-	-	-
-	F.P.	11.8	49½	½	Do Warrants	47½		-	-	-	-
100	F.P.	63.7	100	98	Fairbairn Eur Sm	98		-	-	-	-
-	F.P.	33.9	113	101½	Finsbury Under'wrt	113		-	-	-	-
100	F.P.	47.0	119	100	For & Col Small C	117½		-	-	-	-
60	P.P.	19.0	60	59	Friends Prov Eth	60		-	-	-	-
120	P.P.	37.8	126	121	Do Units	126		-	-	-	-
60	P.P.	18.6	63	61	Do Zero Div Pf	62½		-	-	-	-
-	F.P.	2.82	93	83	Patheon Wrts	83		-	-	-	-
100	F.P.	17.4	113	100	Pilot Inv C	113		-	-	-	-
§40	F.P.	7.23	46	44	Rockwood	45		-	-	-	-
§10	F.P.	2.13	11½	10¼	Rossmont	11½		-	-	-	-
60	F.P.	11.7	78	60	†Securitised En.	77	+6	RN3.5	1.0	5.7	13.6

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes please refer to the Guide to the London Share Service

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price £	+or-
-	F.P.	-	95	90	Budgens 5pc Cv 2003	94	
80	P.P.	-	88pm	80pm	Pantheon Cv Ln '95-97	88pm	
-	F.P.	-	110¼p	99¼p	Sun Alliance 7¾pc Pf	110p	-¼
100p	Nil	18/2	40½pm	27½pm	Trafalgar Hse Cv Rd Pf	40½pm	+2¼
-	F.P.	-	129½	107	Witan 6¼pc Bds	128½	+½

pm Price at a premium. p Pence

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
45	Nil	17/2	20pm	8pm	Anglo Irish	19pm	
73	Nil	31/1	15pm	11pm	Cementone	15pm	
88	Nil	9/2	19pm	16pm	Crest Nicholson	16pm	
5	Nil	21/2	9½pm	5pm	Europe Energy	6pm	-2
62	Nil	24/2	7pm	1½pm	Halkin	1½pm	
25	Nil	9/2	1¼pm	¾pm	†Ramus	1¼pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Yr ago	*High	*Low
Ordinary share	2668.4	2659.1	2654.1	2623.3	2615.5	2152.2	2668.4	2124.7
Ord. div. yield	3.50	3.51	3.52	3.56	3.57	4.39	4.52	3.50
Earn. yld. % full	3.96	3.97	3.98	4.03	4.04	6.03	6.38	3.96
P/E ratio net	31.85	31.77	31.69	31.32	31.25	21.15	31.85	19.40
P/E ratio nil	29.52	29.46	29.37	29.03	28.97	19.54	29.52	18.14
Gold Mines	230.7	245.5	244.1	247.6	250.3	63.9	277.9	60.0

*For 1993/94. Ordinary share index since compilation: high 2668.4 21/01/94, low 49.4 26/6/40
Predecessor Gold Mines index since compilation high 734.7 15/2/83 - low 43.5 26/10/71
Ordinary share base date 1/7/35; Gold Mines 12/9/55

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2663.8	2656.4	2672.4	2675.2	2668.8	2665.7	2662.5	2666.8	2669.3	2679.5	2655.6

	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Yr ago
SEAQ bargains	41,888	46,220	49,145	36,980	38,498	31,229
Equity turnover (£m)†	-	2527.7	2636.5	2170.1	1594.0	1497.0
Equity bargains†	-	50,109	54,842	44,591	44,379	43,568
Shares traded (mil)†	-	993.4	1131.8	905.3	707.3	616.5

† Excluding intra-market business and overseas turnover

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23⅜	-⅛	£25¼	£18¼	6,658	4.4	12.7
ANZ A$		247½	+2½	248¼	130	3,238	3.7	φ
Abbey National	†□	508	-7	524	345	6,669	2.9	19.6
Allied Irish I£	♣†□	303	-4	314	179	1,986	3.4	15.5
Anglo Irish I£	♦□	60xd	—	*70	28	167.9	6.1	φ
Asahi Y		888¼	-8	844	415	15,979	0.7	-
Banco Bil Viz Pta		£14⅜	+⅛	£17⅜	£13⅜	3,399	5.6	6.6
Banco Sant Pta		£29⅜	—	£36	£24⅜	3,326	4.4	11.4
Bank Leumi (UK)		375	—	375	325	28.6	5.7	-
Bk Ireland I£	♣♦□	313	-4	*319	177	1,475	4.0	23.1
Bank Scotland	♣†□	238	+5½	240½	116½	2,770	2.5	32.3
9¼pc Pf		140¼	-¼	140¾	117¾	140.2	8.2	-
9¾pc Pf		147¼	-¼	147¾	123½	147.2	8.3	-
Barclays	†♦□	621	+4	652	362	10,078	2.5	-
Dai Ichi Kan Y		£11⅜	+⅛	£15⅞	£9⅞	36,787	0.5	65.2
Deutsche DM		£307⅞	-3⅞	£348⅞	£250½	14,831	2.0	-
Espirito Santo		£25⅛	+⅛	£25⅞	£16½	268.2	3.2	6.0
First Nat Fin	□	84xd	—	*95	45	140.0	2.2	φ
6.3pc Cv Pf		88xd	-½	*91	55	9.92	6.9	-
7pc Cv Pf		166xd	+½	167½	106	78.8	5.3	-
Fuji Bank Y		1270¼	+43¼	1651	876	37,009	0.4	-
HSBC HK	†□	1000	+20	1007	474	17,070	2.5	23.9
HSBC (75p Shs)	†□	980	+22	980	490	8,127	2.5	23.7
Lloyds	†□	648	+2	690	492	8,320	3.7	18.5
Mitsubishi Y		£17¾	+⅛	£19¾	£11⅛	61,097	0.3	-
Mits Tst & Bk Y		815	+10¾	1012½	462½	10,613	0.6	13.1
Mitsui Tst & Bk Y		858¼	+42¾	852	374	7,891	0.8	22.4
Nat Aust A$		581	+¼	581	322	7,639	3.9	φ
NatWest	†□	606	—	634	398	10,055	3.7	36.7
[illegible]								

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1993/94 high	low	Yld Gr's	NAV	Dis or Pm(-)
Paribas French □	148	—	149	98	1.0	141.1	-4.7
Perpetual Japan □	91	-12	108	83	—	94.7	3.9
Warrants □	62	-10	76	37	—	—	—
Personal Assets †	£89½	+1	£89½	£76½	2.7	9472.5	5.5
Pilot Inv □	148	—	148	96	0.4	136.2	-6.7
Warrants □	62	-5	67	21	—	—	—
Primadona	277	—	283	157	2.0	323.8	14.5
RIT Capital □	183	-2	189	100	0.6	215.4	15.0
2½pc Cv Ln 2000	£183	-2	£186½	£100½	1.4	—	—
Radiotrust □	81	-1	83	47	—	62.6	-22.8
Rights & Iss Inc †	161	+6	161	114	6.6	—	—
Cap	515	+20	515	303	2.0	554.4	7.1
Riv & Merc Am Inc	115xd	—	116	108	8.5	—	—
Cap □	33	—	35	27	—	48.2	31.5
Warrants	14	—	14	11	—	—	—
Riv & Mer Ext N□	146	+4	146	87	6.8	140.6	-3.7
Warrants	47	+10	47	13	—	—	—
Zero Div Pf	117½	—	117½	103	—	—	—
Riv & Mer Geared	116	—	116	81	8.2	—	—
Prtd Cap 1999	34	—	36	19	—	41.1	17.3
Riv & Merc Smllr N□	158	+1	158	95	3.2	153.1	-3.1
Warrants	64	+2	64	22	—	—	—
Riv & Merc Tst Inc □	125	—	127	106	9.2	—	—
Cap □	143	—	143	55	—	262.8	45.6
Warrants	35	+1	35	8	—	—	—
Do. Stpd Prf N	162½	—	162½	147	4.3	—	—
River Plate Inc N□	110xd	—	119	98	10.1	—	—
Cap	110	+1	110	26	—	210.4	47.7
Warrants	10	—	10½	1	—	—	—
Zero Div Pf	84½	—	84½	77¾	—	—	—
St Andrew	307	+2	307	214	3.2	343.1	10.5
St David's Inc	140	—	153	123	13.2	—	—
Cap	218	—	218	76	—	366.9	40.6
Zero Prf	151½	+½	161½	131	—	—	—

LEISURE & HOTELS - Cont.

Owners Abrd; 9¾p Cv Pf; Parkdean Lels; Pelican; PizzaExpress; Prism Lels; Quadrant; Queens Moat; 7pc Cv Pf; 7½pc Cv Pf; Ramsden's (H); Rank Org; 8¼p Cv Pf; Regal Hotel; Resort Hotels; Ryan Hotels IE; Savoy A; Spear (JW); Stakis; Stanley Lels; Sunleigh; Surrey; Tanjong; Thorn EMI; Ticketing Grp; Tomorrows Lels; Tottenham; Vardon; Wembley; Zetters

LIFE ASSURANCE

MEDIA

INVESTMENT COMPANIES

LEISURE & HOTELS

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SPIRITS, WINES & CIDERS - Cont.

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	£13½	—	£13½	£7½	805.4	5.2	11.4
Barlow Rand	£4⅛		£10⅛	£4	810.0	7.9	7.5
Gold Fields SA R	£14½	-⅛	£18	£7¼	1,429	2.7	24.4
NK Props	90	—	97	68	3.62	15.1	Φ
SASOL ♥	282	+2	308	215	1,654	5.3	-
SA Brews	£12⅞	-⅛	£15⅛	£7½	6,950	2.1	21.3
Tiger Oats	713	-25	838	513	1,071	2.3	15.1
Tongaat-Hulett †	434xd	-2	472	312	324.8	3.4	12.1

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ☆ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Not officially UK listed, dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MIR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

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FINANCIAL TIMES
Weekend January 22/January 23 1994

Institutional investors oppose incentive plan

M&G faces criticism of executive option scheme

By Norma Cohen, Investments Correspondent

M&G Group, the UK's largest independent unit trust company, is facing protests over a proposed executive share option scheme which some of its institutional investors claim is against corporate governance principles.

The move is a potential embarrassment to M&G, which, as a leading institutional investor itself, has often taken a tough line on corporate governance matters such as executive pay.

M&G is asking shareholders at an extraordinary general meeting on February 4 to approve a 10-year scheme that will allow executives to buy share options at current market prices and exercise them after three years, providing the share price rises. There are no minimum criteria on share price performance.

The move flouts recommendations from the UK's two largest shareholder groups, the National Association of Pension Funds and the Association of British Insurers, who want to limit executives' freedom to benefit from options unless their company has genuinely improved its performance.

Both organisations have registered their objections with M&G's directors.

M&G has defended the scheme, saying that all forms of performance criteria may be manipulated. Mr Anthony Ashplant, M&G company secretary, said: "We think the market is more sophisticated than that and we think that the market takes into account all the variables.

"Bearing in mind we are a large institutional investor ourselves, we thought about the matter long and hard."

Mr Alistair Ross Goobey, chief executive of Postel, the investment arm of Britain's largest pension scheme and holder of a stake in M&G, said: "In general, we prefer share options to reflect individual performance. And with a fund management group particularly, you should not confuse a bull market with genius."

Despite opposition, though, fund managers believe it unlikely that M&G will be forced to alter terms of its proposed plan. Its single largest shareholder, the Esmee Fairbairn Charitable Trust, set up by one of M&G's founders, Mr Ian Fairbairn, is thought likely to support it.

The issuance of share options to executives, sometimes at a discount of up to 15 per cent to prevailing market prices, has allowed some executives to earn what appear to be exorbitant salaries at a time when their companies are performing poorly.

The NAPF and the ABI last June issued guidelines for boards of directors saying share option schemes that did not contain performance criteria should be rejected.

The NAPF in particular has urged that exercise of share options be limited to companies whose share price has outperformed the market generally or the sector specifically, irrespective of factors affecting the whole market.

Feltrim Names reject Lloyd's settlement

By Richard Lapper

The prospect of any immediate settlement of the legal actions facing Lloyd's of London faded further yesterday when loss-making Names on the Feltrim syndicates voted overwhelmingly to reject the insurance market's £900m settlement offer.

The Names – individuals whose assets have traditionally supported the market – are the third large group of loss-makers to turn down the offer in the last two weeks.

Their rejection makes it unlikely that Lloyd's will assemble the 70 per cent majority – by value of the offer – necessary for the settlement deal to be declared unconditional next month. Without this, Lloyd's will face continued legal actions.

Names' leaders believe that errors and omissions insurers, who cover Lloyd's agents for negligence awards, would be able to fund improved compensation.

The 1,650 Feltrim Names taking legal action have been offered £237.5m against losses to date of £599m. Mr Colin Hook, chairman of the Feltrim Names Association, described the amount as "substantial" and warranting "serious consideration".

However, the absence of any cap limiting Names' liability for losses still to be reported was a "structural deficiency".

In addition, Names who agreed to the deal would give up their rights to take legal action in the future.

The vast majority of about 1,000 Names at yesterday's meeting supported a motion that the offer was not enough to "outweigh the risks and disadvantages of acceptance".

Mr Hook estimated that by pursuing legal action the Feltrim Names could obtain between £310m and £425m in damages.

"I have to believe that Lloyd's expects this offer to fail and have held something back in reserve for obvious areas of improvement," added Mr Hook.

Mr Peter Middleton, chief executive of Lloyd's, said last week that the offer was final.

Earlier this week more than 1,000 Gooda Walker Names voted five-to-one to reject the offer.

THE LEX COLUMN

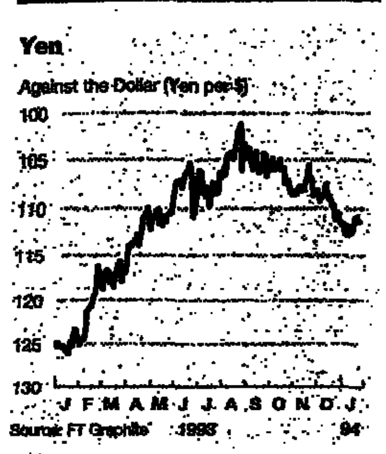
Switching cycles

Kingfisher's report on current trading disappointed those who had been expecting a merry Christmas. But given the equity market's sunny disposition, poor economic news is seen only as an opportunity for another interest rate cut. While little will stop a market in such a gung-ho mood, this focus on consumer confidence as a guide to interest rate movements may be misleading. The Treasury, keen to maintain a broadly based recovery, and mindful of the balance of payments, may well be paying more attention to corporate investment intentions when deciding monetary policy.

That may mean that the consumer, who has led the recovery so far, will not figure as prominently this year – particularly so when tax increases begin to bite. The outperformance of the FT-SE Mid 250 index also shows how investor interest is focused on medium-sized capital goods companies and away from the financial, utility and consumer dominated FT-SE 100 index. High expectations for smaller companies are shown vividly by the rating of 35 times earnings on which the FT-SE SmallCap index is trading.

Still, that may not be wildly excessive given the much improved financial position of companies. The earnings recovery required to sustain the market may also be on the way. All of that is timely since interest rate cuts may be slow in coming and gilts may have seen the best of the bull run. When yields start to move up, attention may eventually shift to the long end of the gilt market. The more fundamental support there is for equities, the better underpinned they will be when the interest rate cycle turns.

FT-SE Index: 3483.4 (+13.4)



Television

Despite the competition worries aired by the Office of Fair Trading, Mr Michael Heseltine is clearly keen to avoid referring any of the television sector bids to the Monopolies and Mergers Commission. It would, of course, be extraordinary if he were to act otherwise, given that it was Mr Peter Brooke who lifted the regulatory obstacles to industry consolidation.

Some fudge is therefore inevitable, and partial divestments may result. Doubtless, the definition of the television advertising market will be widened to include Channel 4 and satellite and cable. The Independent Television Commission has already sketched a temporary solution, suggesting that a combined Granada and LWT could own one advertising sales house and half of another as long as strict Chinese walls were in place. That, though, would hardly satisfy advertisers. Media buyers fear it would be difficult for sales houses to remain truly independent – especially as LWT's sales house has been aggressively selling Yorkshire-Tyne Tees' air time against Granada's.

One way to avoid conflicts of interest in advertising while permitting consolidation of franchise ownership would be to force ITV companies to sell sales houses to independent operators. That would also help clarify the real worth of TV franchises. Publisher broadcasters, at least, would simply own the right to a reasonably predictable fixed-term stream of income, dependent on the level of original franchise bid. Whatever the precise value, it would be nowhere near current bid levels.

UK savings

It is surely no coincidence that the government announced a review of building society regulation on the same day its new National Savings bond was launched. After the argument over the First Option Bond – which was withdrawn in 1992 when societies threatened to raise mortgage rates – the government is clearly keen to avoid another spat. Yet the 7 per cent yield on the new five-year income bond is probably the minimum required to satisfy pensioners. And reform to allow building societies greater access to the wholesale money markets would make competition from National Savings easier to bear.

Even without the latest National Savings launch, building societies have been fighting a losing battle for deposits. The £121m outflow in December announced yesterday underlines the point. A rise in the wholesale funding limit – currently 40 per cent – would clear the way for another round of Eurobond issues by societies. That would help them to defend their share of the mortgage market against banks when the housing market turns.

Pushing the wholesale funding limit above 50 per cent would be tricky. Societies' mutual status relies on the majority of their funds coming from members. That might involve a wider review of legislation than the government is prepared to undertake. Making it easier for societies to convert into banks – as the Treasury has hinted it might – would provide an escape route for those which found the straightjacket of regulation too tight. The steady decline in the number of building societies – from almost 2,000 at the turn of the century to 105 today – might then have further to go.

Japan

The failure of Mr Morihiro Hosokawa's coalition to carry the day on political reform might have been expected to send the yen lower. Whether or not a general election now follows, the promised package of economic stimulus measures will almost certainly be postponed. That can only be bad for Japan's growth prospects, and makes another cut in interest rates more likely. The strength of the Japanese currency in the face of these arguments stems from worries over trade.

Yesterday's trade figures are a reminder that Japan's current account surplus is still growing in dollar terms. That creates a natural demand for yen which is not being offset by Japanese buying of overseas financial assets. More importantly, if Japan cannot deliver a fiscal stimulus to get its economy moving, the US might again be tempted to talk the yen higher as a way of tackling trade.

With Mr Lloyd Bentsen, the US treasury secretary, visiting Tokyo this weekend – and a meeting between heads of government still scheduled for next month – much now depends on the US response. But using the exchange rate as a trade weapon could easily backfire. If Japanese industry is lumbered with an unfavourable exchange rate and deprived of a fiscal package, the outlook for growth would be bleak. Managing the trade surplus lower would then be doubly hard.

Reform hopes fade as Russia pledges backing for industry

By Leyla Boulton in Moscow

Mr Victor Chernomyrdin, Russia's prime minister, launched his new government yesterday with a pledge to support Russia's ailing industries – lending weight to claims by Mr Boris Fyodorov, the outgoing finance minister, that Russia was abandoning fiscal discipline.

Mr Valentin Sergeyev, the prime minister's spokesman, said the government's reform programme contained only "elements of western market economics", Itar-Tass news agency reported.

"The mechanical transfer of western economic methods to Russian soil has caused more harm than good," Mr Sergeyev quoted Mr Chernomyrdin as saying.

He said the government's economic programme, which had been approved by President Boris Yeltsin, would be based on the "special characteristics of our state, people and Russian traditions". The phrase appeared to be a response to the demands of Russia's rising nationalist lobby, which dominates parliament.

Economists in the west and Russia continued to express anxiety at the exclusion of key reformers from Russia's new government.

In Washington, President Bill Clinton said he did not believe reform was over in Russia. "What we're concerned about, obviously, is whether they'll be able to manage their inflation problem," he said.

The International Monetary Fund said it might delay sending a team to Moscow for talks because there might be no finance minister to talk to, while Group of Seven representatives conferred anxiously on the government's policy shift.

Two prominent western economists, Mr Jeffrey Sachs and Mr Anders Aslund, resigned as advisers to the government. The two men, who have increasingly been seen as foreign meddlers by Russian conservatives, said they strongly opposed the new government's aims.

Even within the government, concerns were being expressed, with Mr Sergei Krasavchenko, the radical deputy head of the president's administration, saying he was "seriously anxious" about the consequences of Mr Fyodorov's resignation.

Mr Fyodorov denied that he had been forced to leave for embracing over-radical reform. "It's not a question of radical reform. It's just fiscal discipline."

Mr Fyodorov said the new government would remain too vulnerable to pressure for handouts it could not afford. That would only encourage enterprises and individual regions to ask for more money, and contribute to the huge debts between enterprises that deliver goods without demanding payment. He also warned of corruption.

Major backs CrossRail

Continued from Page 1

O'Brien, its chief executive, said: "We are absolutely delighted the government is not going for a truncated version of CrossRail".

However, the decision may be seen as a defeat for Mr Portillo.

Technical plans for CrossRail have been drawn up over the last four months by British Rail and London Transport, two of the project's sponsors, as part of a private bill being brought before parliament. They are confident that once the bill reaches royal assent, it will receive financial backing from the private sector.

According to a study carried out by the consultants Sir Alexander Gibb and Bovis, the CrossRail project would provide private sector backers with a commercial return, while guaranteeing the Treasury an 8 per cent return on the public sector investment.

Hosokawa reforms fail

Continued from Page 1

Social Democratic party, the coalition's largest but least dependable partner, defied their leaders' instructions and voted against the government, driven by fears that the party would do worse under the proposed electoral system than under present rules.

As a result, the government fell 12 votes short of a majority, by 130 votes to 118. Mr Tomiichi Murayama, the Socialist chairman, has hinted he will resign.

The bills would scrap the present system of multi-seat constituencies for the lower house and establish a mixture of proportional representation and single-seat electoral districts. Donations to politicians would be banned.

Political reform has been under discussion since the 1988 Recruit scandal, in which politicians received shares in return for favours.

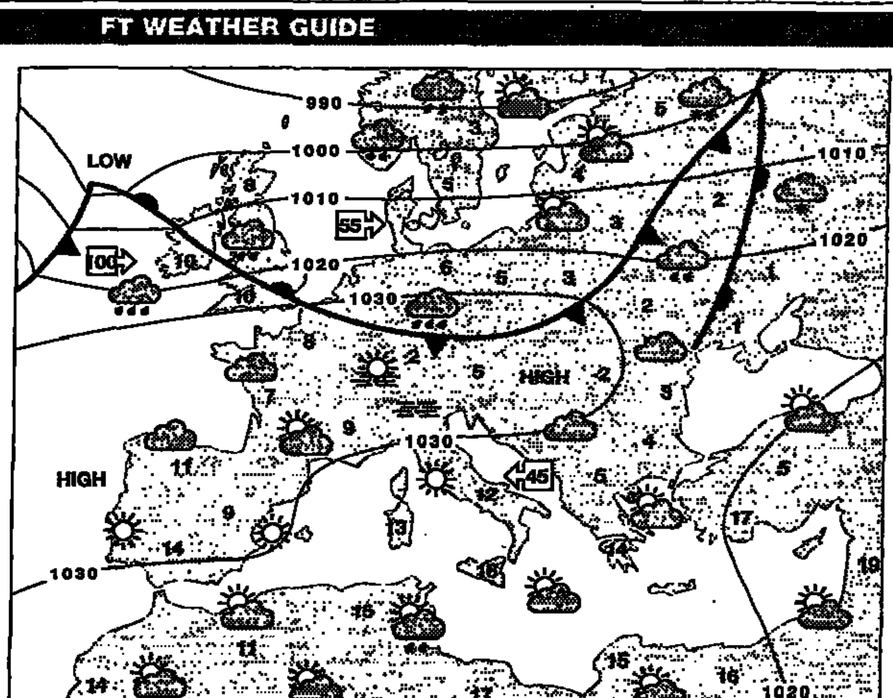
FT WEATHER GUIDE

Europe today

Ireland, northern UK, Scandinavia and north-western CIS will be unsettled and windy. Westerly winds will reach gale force along the western coasts of Norway and Ireland. Norway will be rainy. Sweden, Finland and the Baltic states will have some sunny spells. Southern and central Europe will be calm. Southern Portugal, the east coast of Spain and the south coast of France will be sunny. Eastern France, the Alps and the Balkans will have persistent patches of freezing fog. It will be cloudy in Benelux, north-western France and northern Portugal and Spain. Most places will remain dry. Italy, with the exception of Sicily, will have sunny spells.

Five-day forecast

North-western Europe will remain unsettled. The North Sea area will be very windy on Sunday and Monday. South-western and central Europe will be sunny, but there will also be areas of fog. Low pressure over northern Africa will bring rain and thunder to Italy and Greece from Sunday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	rain	7	Cardiff	cloudy	10	Frankfurt	cloudy	2	Malta	cloudy	15	Rio	cloudy	23
		Celsius	Belgrade	hazy	-1	Chicago	fair	0	Geneva	fair	-5	Manchester	rain	10	Riyadh	sun	21
Abu Dhabi	sun	25	Berlin	drzzl	7	Cologne	cloudy	8	Gibraltar	sun	15	Manila	cloudy	29	Rome	fair	13
Accra	fair	31	Bermuda	shower	20	D' Salaam	fair	30	Glasgow	windy	8	Melbourne	fair	26	S. Frsco	rain	15
Algiers	cloudy	13	Bogota	fair	21	Dakar	fair	21	Hamburg	fair	8	Mexico City	fair	19	Seoul	snow	0
Amsterdam	fair	9	Bombay	fair	29	Dallas	rain	12	Helsinki	fair	4	Miami	fair	23	Singapore	cloudy	31
Athens	shower	11	Brussels	cloudy	9	Delhi	sun	20	Hong Kong	fair	15	Milan	hazy	2	Stockholm	fair	3
B. Aires	fair	30	Budapest	fair	2	Dubai	sun	26	Honolulu	cloudy	25	Montreal	fair	-14	Strasbourg	cloudy	-3
B.ham	rain	11	C.hagen	cloudy	6	Dublin	cloudy	9	Istanbul	cloudy	6	Moscow	sleet	2	Sydney	fair	24
Bangkok	fair	35	Cairo	fair	19	Dubrovnik	fair	13	Jersey	cloudy	10	Munich	fog	4	Tangier	fair	15
Barcelona	fair	11	Cape Town	fair	21	Edinburgh	rain	8	Karachi	sun	25	Nairobi	fair	27	Tel Aviv	fair	19
Beijing	cloudy	0	Caracas	cloudy	28	Faro	sun	15	Kuwait	sun	19	Naples	fair	13	Tokyo	cloudy	6
									L. Angeles	shower	21	Nassau	shower	23	Toronto	fair	-8
									Las Palmas	shower	19	New York	fair	0	Tunis	shower	16
									Lima	fair	27	Nice	sun	9	Vancouver	rain	9
									Lisbon	sun	11	Nicosia	cloudy	17	Venice	fair	7
									London	fair	11	Oslo	cloudy	6	Vienna	hazy	2
									Lux.bourg	cloudy	2	Paris	drzzl	9	Warsaw	rain	5
									Lyon	fair	-3	Perth	sun	35	Washington	fair	3
									Madeira	shower	16	Prague	drzzl	4	Wellington	fair	23
									Madrid	fair	9	Rangoon	sun	33	Winnipeg	cloudy	-12
									Majorca	fair	13	Reykjavik	snow	-4	Zurich	hazy	-2

Registered at the post office. Printed by St. Clements Press for and published by The Financial Times Ltd., Number One Southwark Bridge, London SE1 9HL. Admiral Duke

Weekend FT

SECTION II Weekend January 22/January 23 1994

Peasants!

*Les paysans Français – keepers of the countryside wearing berets and striped jerseys? Or straw-burning troublemakers who stand in the way of progress? **Nicholas Woodsworth** uses his family ties to investigate a threatened way of life*

It is 15 years since I first met the Chauvin clan in the hills of Provence. It was an exotic occasion, a country Christmas celebration to which I was coaxed – neither entirely willingly, nor at ease – by my French wife-to-be so that she might present me to her family. I was impressed, but also intimidated, by the gathering. Here, at a long farm table flanked by four generations of Chauvins, was a world in which I felt wholly alien.

The food alone was exotic enough. There were stews of wild boar shot in the hills behind the house; baby quails – still complete with tiny beaks and claws – sewn up and baked in the oven; omelettes stuffed with truffles sniffed out of the earth by a much-prized family dog. To me, it was all splendid, outlandish and totally new.

Even more exotic than the food, however, were the guests themselves: a confusing array of moustachioed uncles, Gauloise-smoking grandfathers, Pernod-sipping nieces. These people, I thought, were positively tribal: between the 30 or so extended family members present, there was a commingling, a sense of sharing through ties of blood which had nothing of the Anglo-Saxon in its warmth and demonstrativeness.

The Chauvins were also different politically. I had never socialised with Marxists before. Here, though, was a dining room full of militant leftists and card-carrying communists munching Christmas cake as happily as anyone else.

There was, however, something else that made this family so completely different for me. It was simply their daily working lives. For the Chauvins, as they themselves told me proudly, were *paysans* (peasants).

In England, the term belongs to an earlier, feudal age. Not so in France, where few urban families have to look back more than a generation or two to find roots deep in the countryside. Here, beside the little river Dôa in the Provençal back country, nothing at all separated the Chauvins from their past: they remained tied to the soil as physically and emotionally as their ancestors 400 years before. It was this sense of belonging, this deep attachment to a long-lived peasant tradition, that impressed me most.

We all have an image of the *paysan* in our minds. In his most hackneyed form, he is cycling down the road, a beret on his head and a string of onions over his handlebars. There are variations. Sometimes, he is sly, calculating and miserly. At other times, he is cheerful, loquacious and sociable. Even when he has nothing at all to say, he still entertains by pushing his lips forward and giving us that famous Gallic shrug.

Lately, though, the image has changed and the French peasant has stopped entertaining us. He is no longer the amusing character from *A Year in Provence*. He is the backward-looking reactionary who has tried to block economic progress for the rest of us. In an effort to retain farm subsidies and state protection for an outmoded way of life, he has set straw bales alight on the French autoroutes, blocked Parisian traffic with tractors, and done what he can to wreck negotiations on world trade. He has refused to change with a changing Europe.

Is the new image of the French peasant a valid one – or is it as stereotyped and misinformed as its predecessors?

Following that first meeting, I grew to admire the Chauvins tremendously. They were a resilient, resourceful, hard-working clan. They never had much money, but it seemed to me that they had something quite as valuable about them: quiet self-assurance and satisfaction with life.

Later, I moved from France and lost touch with them. But, through the family connection, I heard over the years that that satisfaction was fast disappearing and that hard times had settled on the Dôa. Not long ago, I returned to find out for myself how an old peasant family and modern Europe were getting along together . . .

Going nowhere at Les Gauds

Jean Chauvin, my wife's great-grandfather, had more sense of adventure than money. He was not conscripted into the French colonial army but, as was often the custom then, was paid to take the place of someone who was. He survived the invasion of Tonkin in one piece and on his return, like everyone in the family, took up farming.

Contrary to popular image, Provence is not a mild, beneficent land. It is harsh: cold and windy in winter, dry and scorching in summer. In the Rhone valley, flat land, good soil and plenty of water for irrigation give western Provence rich fruit and vegetable crops. In Chauvin country, further to the east in the flinty hills and valleys that eventually rise to become the Alps, smallhold farming is an altogether more precarious affair.

Nonetheless, in the narrow Dôa valley outside the market town of Apt, Jean brought up four florid and brawny sons, each of whom in turn began farming there. One still survives. With his wife Marthe, Aimè lives at Les Gauds, a tiny family hamlet of stone houses perched on the valley-side.

Aimè Chauvin is not as active as he used to be: a few years ago, an accident with a roto-tiller left him with one leg. But, at 81, he still gets around in a Citroën with a hand-operated clutch; and, when visitors ask him, he can still recall life at Les Gauds before any machines made an appearance there.

Together, we sat at the dining table and Tante Marthe poured me a small glass of home-made walnut wine to take the chill off the winter's day. To most people the bare, tiled floors and simple furniture at Les Gauds would appear spartan. But, said Tante Marthe, compared with the pre-war years, she and Aimè live like kings.

Until 1938, there was no electricity in the valley and evenings were spent in lamp-light. The toilet was outdoors, as was the well for water and the stone basin for washing clothes. The shops in Apt were an hour's walk away – and too expensive to use much, anyway. Marthe grew, raised or made most of what they lived on right there – vegetables, pigs, chickens, olives, wine and goat cheese all were tended by her busy hands. Ready money for other daily needs came from the herd of sheep she kept. Horses to plough the wheat fields did not disappear until the early 1950s when Aimè bought his first tractor.

Like the hands of all elderly peasants, Marthe's are battered and worn; rarely, in the course of her working life, was there much time for herself. Nor was there money, Marthe said, for simple things like a new dress or a visit to the hairdresser. Instead, it went into buying, piece by piece, that single most important peasant possession – land. By the time he retired, Aimè had added 11 hectares to the five he had inherited originally.

"Materially, things were not easy," sighed Marthe, "but it was a good life. There was a wonderful closeness in families then, and between neighbours, too. What is more, we all knew where we were going; we knew we would never get rich but, with the produce from 16 hectares, Aimè and I were able to earn a living, raise our children, build a house, and equip the farm. That is what hurts now. With all the will in the world, no young peasant could produce enough on 16 hectares to do that today."

Marthe and Aimè were not speaking in abstract terms. The young peasant to whom they were referring is their 38-year-old son, Daniel, who now owns the farm. Land, once a fixed standard by which peasant prosperity was measured, no longer has its traditional value – other factors have intervened. Unlike his parents, Daniel has no idea where he is going.

Politics of survival at Le Marronier

A kilometre down the road, in a house under a broad chestnut tree, another of Jean's sons set to tilling the earth in the 1920s. Not only was

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The high rollers are betting heavily on a desert fantasy land .... Page XI

The Long View/**Barry Riley**

Profits take the lead

Rotation can make you giddy. There have been some big structural shifts in the London equity market recently, with the big blue chips racing up over Christmas, for instance, but the middle-sized stocks producing a spectacular upsurge this week. With share prices on average at fairly giddy heights there is a desperate search going on for value that might justify further appreciation.

The underlying theory is that at a certain point in a bull market the main driving force ceases to be the push from excess liquidity and begins to be the pull from profits growth. Although profits have been rising for a year or so now – the consensus expectation is that earnings per share for 1993 will have shown 15 per cent growth on average, against zero for 1992 – it is primarily the fall in interest rates that has generated the higher valuations.

That this is still the case was shown by the market's economically perverse reaction on Wednesday to the news that December retail sales were supposedly lower than in November. Never mind that peculiar seasonal adjustments probably make the official Yuletide retail sales statistics almost meaningless. The stock market fastened on to the idea that weak activity would encourage the government to make an early cut in interest rates. If business was indeed poor the impact on company profits would presumably be negative – but about this the market appeared to care not one jot.

Nevertheless investors are exploring various sector themes. In the early part of a bull market interest-rate sensitive sectors such as financials, property and construction tend to shine. Somewhat later, consumer goods show well and then, late in the cycle, capital goods sectors are likely to be boosted by rising physical investment as output bumps up against capacity.

Recently many investors have been captured by the theme of rising commodity prices as the global recovery gathers pace: hence, for instance, the success of Mercury Asset Management's World Mining Trust in pulling in £426m when launched last month.

But how great is the scope in general for British companies to achieve significantly higher profits? Although in some parts of the world companies are suffering severely from the recession – in Germany, for instance, and especially in Japan – British companies weathered the last economic downturn relatively well. According to the national accounts the profits of industrial and commercial companies had already rallied to a 14.3 per cent share of national income by the third quarter of 1993, making a sharp bounce back from 1991's low point of about 11.5 per cent.

Stock market analysts are projecting further earnings per share gains of about 15 per cent in 1994 and 13 per cent in 1995. The interesting point is that these compare with much lower expectations for the growth of earnings of employees, now running at only about 3 per cent and unlikely to rise very substantially over the next year or two.

If the City analysts are right then the share of profits in income is set to rise to around 16 per cent in 1994 and perhaps 17 per cent in 1995 – well ahead of the 15 per cent share reached at the peak of the last cycle, in 1987. Part of the explanation may be the impact of the hugely profitable privatised utilities which have progressively expanded the company sector since the early 1980s (they account for about 22 per cent of the earnings of All-Share Index constituents). But there is also the implication of a substantial shift in economic power from labour to capital.

Over many years in the UK the growth of wages has been slightly higher on average than the growth of company earnings per share: since 1960, in fact, pay has grown at 10.2 per cent annually, and earnings per share at 9 per cent (price inflation, incidentally, has averaged 7.8 per cent).

One explanation for the collapse of the inflation rate in the UK and many other western countries has been the growth of competition from newly-industrialising countries. But such brutal competition would surely have produced more pressure on profits than has been seen (although it is true that most of the impact would be focused on the relatively small manufacturing sector). As it happened, however, the margins squeeze in manufacturing was relaxed by sterling's sudden dive after Black Wednesday in September 1992. The puzzle was that, contrary to historical experience, pay inflation was *not* stimulated by that episode, so we have to assume the development of an underlying labour surplus of a kind not seen since the 1930s.

If business is indeed becoming exceptionally profitable in the UK, there will be other positive effects beyond a booming stock market: for instance, the stimulation of output should quickly cure the capacity shortages which have produced balance of payments problems even in the depths of recession. But we also have to bear in mind that such conditions have not been sustainable in the past; rising corporate income has quickly been transmitted to wages, and sterling has tended to rise to less competitive levels. This time, we have to project that slow growth of consumers' incomes will be topped up by a fall in savings (or in practice, a rise in borrowings) in order to sustain demand; and that climbing exports will not send the pound too high.

It is also worth mentioning the importance of raw material input costs, which have recently been exceptionally low – with the oil price, for instance, back in real terms to where it was before the first oil shock in the early 1970s. The investors who are piling into commodity shares to exploit the first signs of an upturn in the commodity price indices ought also to think of the possible impact of raw material price inflation on corporate profits elsewhere.

In these tricky conditions you may need to perform a few gyrations to find your way to the sectors where the best of these profits are going to be earned.

London

Bulls take a run on the middle range

By Roderick Oram

Even in a week when London stocks closed at record levels, the 135.5 point jump in the FT-SE Mid 250 index on Wednesday was the stuff of bull market legends replete with tales of terrible squeezes and aborted buying programmes.

Lacking such drama, the rise in the broad market could not even muster much new economic justification. Ken Clarke squelched hopes of an early interest rate cut by invoking the spectre of inflationary Chancellors-past. "Nigel Lawson... would agree looking back that he had already reduced them too much" when he gave in to public pressure *and kicked in the after-burners* on his late-1980s boom.

The FT-SE 100 rose 83.6 points on the week to a record close of 3,484.2 and a gain of 1.9 *per cent since the begining of* the year. More impressively, though, the FT-SE Mid 250 pushed on to an 8.3 per cent year-to-date rise, closing up 190 points at 4,105.8.

The index, which captures the 250 largest companies below the top-tier 100, has been out-performing the Footsie for a while. Strategists see it as a more effective way than the Footsie to play the UK economic recovery. Judging by The way investors piled into it this week they believe its attractions will last a while.

The day the UK left the ERM in September, 1992, shares began their unchecked run up. As the chart shows, the two indices tracked each other for a few months but by the beginning of last year the Mid 250 began to pull away. This month, it has raced ahead. Investors bought £3.4bn worth of shares in the index in the *first four days of this week,* against £10.6bn all of last month.

The vault on Wednesday, when non-Footsie stocks *accounted for a hefty 70* per cent of the day's trading volume, was the index's largest one-day gain since it was started two years ago and its second best using historic data back eight years. Technical factors, particularly a severe stock shortage, were at play. One Swiss-based house was said to be caught out trying to amass enough shares to underpin a warrant on the Mid 250.

Illiquidity is a problem. The market capitalisation of the 100 index is £570bn, an average of £5.7bn per company. Even so, investors can be frustrated trying to buy or sell the bottom 20 or so Footsie stocks in quantity. The Mid 250 has a market cap of £173bn, an average of £700m per company. The small*est is Amstrad at £235m.* Not only is stock hard to come by, but investors tend to buy for the longer term.

"You have to work as hard *to put half a million pounds* into a 250 stock as, say, £200m into BTR," says Mike Bishop, a director of Gartmore, the fund manager.

But do not be dazzled by the fireworks. "There are investment trends here that the illiquidity masks," says Robert Buckland, UK equity strategist at NatWest Securities.

Investors are buying the stocks for their UK exposure. The general manufacturers sector, for example, embracing contractors, building material suppliers, engineers and other highly cyclical stocks, account for 32 per cent of the Mid 250 against only 14 per cent for the Footsie. Electricity and water stocks, favoured for their divi*dend growth, account* for 11.2 per cent against only 5.1 per cent of the Footise.

Many of the constituents also offer better exposure than big stocks to currency and *interest factors, argues Paul* Walton, equity market strategist at James Capel. "If the major exporters lose out from weak European markets and a *strengthening pound then* domestic stocks – typically smaller cap – are better placed and moreover should benefit from any subsequent interest rate cut."

He forecasts that the Mid 250 and FT-SE Small Cap indexes, the latter covering the bottom chunk of the All Share Index, will outperform the Footsie by 15 per cent and 25 per cent respectively this year.

One might, however, draw a note of caution from a longer perspective. From the end of 1985 to the end of 1988, the Mid 250 outperformed the Footsie by about 25 per cent. By its subsequent trough, in September. 1992, it had underperformed by about 9 per cent. Thanks to this week's gains, the index is now about two-thirds the way back towards its peak outperformance.

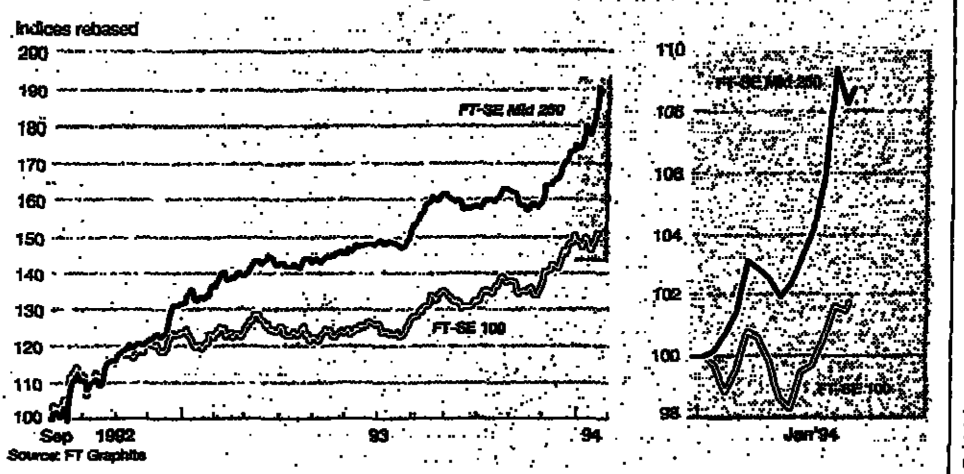
Corporate corroboration of the smaller company investment story came with several items of company news during the week. Spring Ram (kitchens and bathrooms), Stanley Leisure (betting shops and casinos) and Crest Nicholson (house builder) tapped shareholders for some £80m in rights issues.

Evidence of the potential for smaller companies' growth was also supplied by Carclo, the engineering group. Its pre-tax interim pre-tax profits were up 41 per cent, thanks in part to successful integration of Arthur Lee, the steel maker it bought in June.

The biggest story of the week - the rejigging of Guinness and LVMH's cross-ownership - *hardly fits the mould unless* Tony Greener, Guinness's chairman, has a particularly Machiavellian scheme in mind. The UK group has swapped its *24 per cent stake in the French* group for a 34 per cent stake in its Moët Hennessy drinks subsidiary and £416m in cash. The new arrangement could come in handy for Guinness if it tried to hive off a nice little drinks business should LVMH's media and fashion adventures cause it grief.

Tesco also conceded that smaller might be perkier. Three years ago, launching a £572m rights issue, it extolled the virtues of its mammoth 72,000 sq ft flagship stores. The stock has gone down hill ever since. This week it sharply cut capital spending, began depreciating its land and buildings and talked of building more compact 20,000 sq ft Metro stores. The switch spoke volumes about the suddenly less grandiose visions rampant in the retail food sector.

Middle market shows a clean pair of heels to the Footsie



Source: FT Graphite

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993/94 High	1993/94 Low	
FT-SE 100 Index	*3484.2*	*+83.6*	*3484.2*	*2737.6*	*Interest rate hopes revive*
FT-SE Mid 250 Index	4105.8	+190	4148.8	2876.3	Futures-related demand
Anglia TV	655	+170	668	194	Bid from MAI
Bank of Scotland	238	+17	*240½*	*116½*	Kleinwort Benson "buy" note
Barratt Dev	270	+32	278	*94*	*Analysts visit/int rate hopes*
Blue Circle	382½	+16½	384	189	Cement price rise hopes
GKN	601	+31	607	434	Brokers' recommendations
Guinness	518	+44	527	388	LVMH restructuring
Johnson Matthey	600	+50	606	425	Credit Lyonnais recommendation
Kingfisher	666	-64	783	496	Comet sales weak
Kleinwort Benson	643	+30	669	312	Big surge in market activity
RMC	1073	+46	1079	555	UBS "buy" recommendation
RTZ	883	+70	894	607	Rising metal prices
Rolls-Royce	177½	+14	177½	96½	US buyers return
Standard Chartered	1360	+192	1368	576	Cazenove "buy" recommendation

Serious Money

Meeting a need for income

Scheherazade Daneshkhu

Security and the desire for income are uppermost in many investors minds. After years of high inflation and high interest rates which led to easy double-digit returns in the building society, investors are only just beginning to acknowledge that low interest rates are not an aberration but may become the norm.

Fund management groups have been working hard to come up with products to meet the desire for income, and this week the government pitched in with the launch by National Savings of a Pensioners guaranteed income bond which pays monthly income.

The fixed rate of 7 per cent gross for five years is the best on the market for sums as low as the *minimum investment* of £500 (see Page IV). The snag is that only those who are aged 65 and above can take out the bond and there is a limit of £20,000 per person.

What should other investors *do? James Capel and Newton* are the latest in a line of investment houses to launch products allowing investors to make regular withdrawals to *supplement* their income.

Both have been careful to avoid the word income in their product titles, since they cannot guarantee that stock market performance will be good enough to replenish the original investment.

James Capel, which forms part of HSBC Asset Management, has branded its product the "Generator" Personal Equity Plan, while Newton's latest unit trust is called the "Distributor Fund". How do they work?

The James Capel Pep is attached to its UK Tracker fund, which attempts to match the performance of the FT-A All Share index. Investors either put in a lump sum (the minimum is £3,000 and the maximum is the Pep limit of £6,000), or choose to invest a monthly minimum of £50.

They can then select a payout capped at 7.5 per cent, which will be paid directly into their bank or building society account on the 15th of each month (those choosing the savings plan have to build up to the £3,000 first). The payout can be varied, so investors can choose to reinvest their dividends for capital growth. Charges are an initial 5.25 per cent initial with an annual fee of 1 per cent, compared to 0.5 per cent on the fund itself, because of the extra administration involved.

The Newton unit trust is based on a similar idea. It allows investors to select a regular "distribution" of up to 9 per cent which will be paid quarterly. There is a Pep facility at no extra cost beyond the fund's fairly steep 6 per cent initial charge and 1.5 per cent annual fee. *The fund will initially* have a 65 per cent holding in UK equities, 10 per cent in international equities and a 25 per cent holding of UK and *international bonds.*

Any fund paying out more than the current yield on the FT-A All-Share of about 3 per cent is going to have to rely on the growth of the market to maintain the original capital. Otherwise, investors will find that their capital is being paid back to them as income – something which they can do for themselves in the building society.

Newton says that it believes it will be able, over a three year rolling period, to replace the value, in real terms, of the capital which is distributed. James Capel says it has fixed the 7.5 per cent maximum on the basis of UK equities producing a total return over the past 30 years (1962-92) of 13 per cent per annum.

However, there is no guarantee that equities will perform as well in the future. Indeed, the total return figure for the the previous 30 years (1932-62) was 9.5 per cent per annum and it may be lower over the next 30-year period. If performance is not high enough, the fund managers will have to work very hard to replenish the capital.

How hard they work depends on how much the investor has regularly drawn and on the performance of the market. The schemes work best, as you might expect, when the market is buoyant.

The danger is that if the market falls and investors continue to draw, say 9 per cent, from the Newton fund, they may erode their capital to a point where it cannot be built up to the same level again.

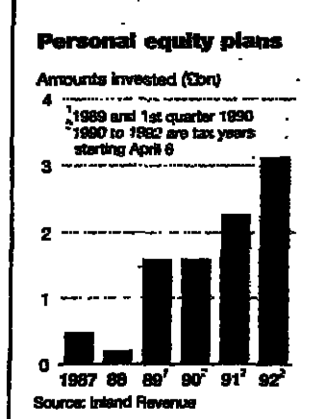
In the early 1970s when yields were low but the stock market was performing strongly, many investors flocked into unit trust withdrawal plans, which allowed investors to take a fixed per*centage from the fund. How*ever, the extent of the 1973-74 stock market crash meant that many investors, particularly those who had chosen to make *withdrawals of up to 10 per* cent, found that the value of their original capital was all but wiped out.

Unlike Hypo F & C's High Income plan, launched last year, which pays out a regular 10 per cent a year, the level of withdrawals in the James Capel and Newton products is left to the investor. This has the advantage of giving him the ability to turn off the income tap when the market underperforms but it also places on him the responsibility to do so. The danger is that if investors becomes dependent on regular withdrawals for their income, they may find it impossible to cut back.

There is nothing inherently wrong with these schemes, and indeed they may be useful in fulfilling many people's needs for income, so long as the investor knows the risks and is happy with the general investment strategy of both funds and with the track record of the managers.

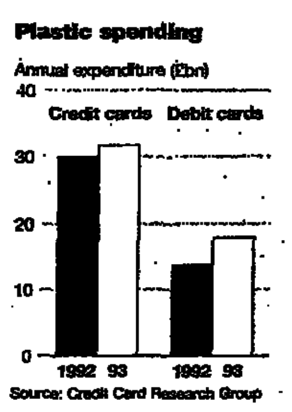
AT A GLANCE

Personal equity plans



Source: Inland Revenue

Plastic spending



Source: Credit Card Research Group

Personal equity plans increase in popularity

Personal equity plans, which allow individuals to invest in shares without paying income or capital gains tax, have become increasingly popular with savers.

The 1992-93 tax year saw an inflow of £3.12bn invested in general plans – the highest since the launch of the first Peps in 1987. Some 770,000 new general plans were taken out during the course of the tax year.

Single company Peps, which were introduced on January 1 1992 attracted a total of £640m into 250,000 plans by the end of the 1992-93 tax year.

Pep investment was changed from a calendar year to a tax-year basis from April 1990. The Inland Revenue figures do not reflect withdrawals or growth in plan values.

Card spending up

Debit cards are widely regarded as a replacement for cheques, according to the Credit Card Research Group, and are used for cheaper purchases than credit cards.

The most popular outlets for the use of debit cards are supermarkets, off licences and petrol stations, while credit cards expenditure *is more widely spread across the retail* sector. Total plastic card spending in the UK was £49.6bn in 1993 up from £43.9bn in 1992.

Barclays charges move

Barclays is to give personal customers advance notice of charges on their bank accounts, although no date has yet been set for the process to start. This gives customers time to query charges before they are imposed, and helps stop people going unintentionally overdrawn because of charges. Barclays has been *pre-notifying business customers for some time.*

Some other high street banks, including NatWest, already give their customers advance warning of charges, and it is likely to become a requirement under a new banking code of practice. Lloyds recently announced it would introduce the practice.

Leeds cuts card rate

The Leeds building society has cut interest rates on its Visa charity credit card, and is to refund the annual fee for customers who spend more than £1,500 a year.

Customers who have spent more than that over the last year will have their £12 fee refunded in February, unless they opted to give £5 of it to charity, in which case they will get £7 back.

Spending more than £1,500 over the year from February will also trigger a rebate. The APR on the cards is to be cut from 24.6 per *cent to 19.9 per cent from February 1, and balances transferred* from other cards will attract a special rate of 14.9 per cent.

More smaller company cheer

Smaller companies have had an exceptionally good week. The Hoare Govett Smaller Companies Index (capital gains version) rose 4.8 per cent to 1828.99 over the week to January 20.

Wall Street

Dow climbs on its cyclicals and reaches peak

If investors in US stocks were looking to the latest corporate reporting season for some justification for the high levels to which *share prices have been pushed,* they had plenty of good news to cheer them last week.

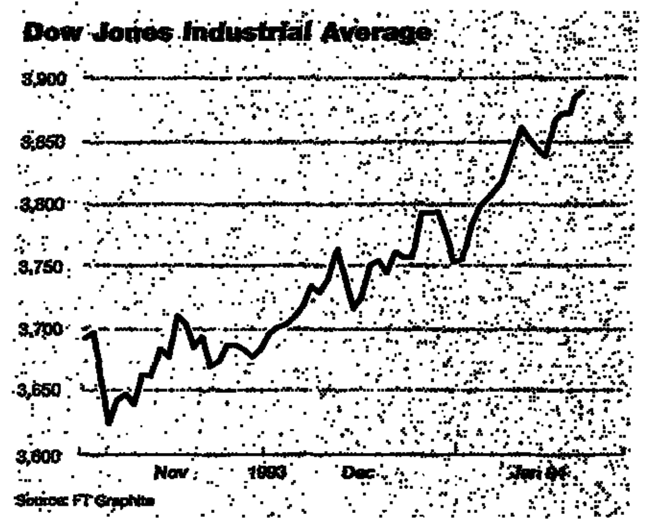
The first batch of results for the final quarter of 1993 *painted a picture of a corpo*rate sector enjoying a faster-than expected pick up in demand at home and considerable benefits from the prolonged round of cost-cutting and restructuring of the early 1990s. Barring one or two nasty shocks in pharmaceuticals and the computer industry, results generally came in at or above the more optimistic analysts' expectations.

Whether the earnings momentum is enough to support share prices at their current levels or push them higher is another matter. Dividend increases have been more modest than the rise in earnings, as many companies continue to rebuild their capital or conserve resources in anticipation of an expansion in working capital in the months ahead. And with the dividend yield on the Dow Jones Indus*trial Average already down at* a lowly 2.6 per cent or so, each new upward twist in share prices puts extra strain on this valuation basis of the market.

But last week was not a time to linger too long over such thoughts. The Dow Jones Industrial Average continued its climb to new highs, break*ing through the 3,900 barrier* yesterday morning after ending the previous week at 3,867. The Dow continued to outperform the broadly-based S&P 500: by mid-day yesterday, the narrow 30-stock average was up 3.7 per cent from the end of last year, twice as much as the broader index.

It only takes a brief look at the composition of the Dow to work out why. With its heavy weighting towards cyclical stocks, the Dow continued to benefit last week from the craze for companies which would benefit from an acceleration of economic growth. While it only contains two financial stocks (JP Morgan and American Express), the 30-stock average has a wide range of cyclical industries: chemicals (DuPont and Union Carbide), metals and mining (Bethlehem Steel, Alcoa and 3M) and autos (General Motors), along with Caterpillar, Goodyear and International Paper.

Dow Jones Industrial Average



Source: FT Graphite

These have been among the stars of the stock market in recent days and weeks. Caterpillar, the world's largest maker of earthmoving equipment, jumped by 8 per cent in a week capped by a stronger-than expected earnings announcement yesterday. The week had begun in similar mood, with Chrysler taking the market by surprise with the robustness of its growth and in the process giving a lift to GM and Ford.

Not surprisingly, the chemicals and steel companies – which stand to benefit from greater demand as auto makers and other customers expand – are also among the *biggest success stories of the year so far. Taking just those* in the Dow average, DuPont's shares are now 11 per cent higher than at the start of the year, Union Carbide is up 12.5 *per cent (it gave an upbeat* preview of its latest results) and Bethlehem Steel is 13 per cent ahead. Neither steel nor chemical companies have *much room to lift their prices,* given the worldwide overcapacity in both industries, but at least they can expect to take up some of the slack from recent years while reaping the benefits of cost-cutting.

This mania for cyclical industries served to overshadow a series of powerful earnings reports from US banks. Against the background of sharply rising profits all round, Citicorp stood out: not only has it bounced back from the brink of disaster in only two years, but its latest figures suggested that it could be one of the few commercial banks to see a sustained rise in revenues in the coming quarters (unlike others, Citicorp clung fast to its worldwide reach during the bad times, and is now benefitting from growth in develop*ing countries).*

All of this had little to do with the stock market's obsessions last week, though. The latest figures seemed a good opportunity to sell off bank *stocks, taking profits and* moving into cyclical industries.

Also suffering was the pharmaceuticals sector, dragged *down by weak sales at Pfizer,* which had seemed to offer better prospects for growth than most other drug companies. Digital Equipment, which gave a *downbeat view of prospects* for the first half of this year, dragged down technology stocks for a while – good news from Microsoft and Apple later *in the week helped reverse the* rot.

On balance, though, there was little to disturb the general sense of well-being. Bar a round of profit-taking, Wall Street seemed to have prepared itself for two more weeks of good profits.

Richard Waters

Monday	3870.29 +	3.09
Tuesday	3870.29	–
Wednesday	3884.37 +	14.08
Thursday	3891.96 +	7.59
Friday		

The Bottom Line

A tipple investors may like

Guinness, after all, may be good for *investors. That was* the market's view this week after the UK drinks group radically reshaped its alliance with LVMH, the French cognac, champagne and luxury goods company.

There was a time when there was no doubt about Guinness's benefits to shareholders. Between 1987 and 1992, the group's share price rose 300 per cent and dividends increased 158 per cent.

During those years, under Sir Anthony Tennant, the company was reaping the rewards of reorganising the spirits business acquired in the controversial takeover of Distillers Company. Brands such as Johnnie Walker Scotch whisky were being refurbished, repackaged and repositioned. Distribution was being brought under direct *control and extended. Markets* were buoyant.

Profits grew organically by over 40 per cent between 1990 and 1992 in spite of the shadow of recession. But towards the end of that period, doubts began to appear.

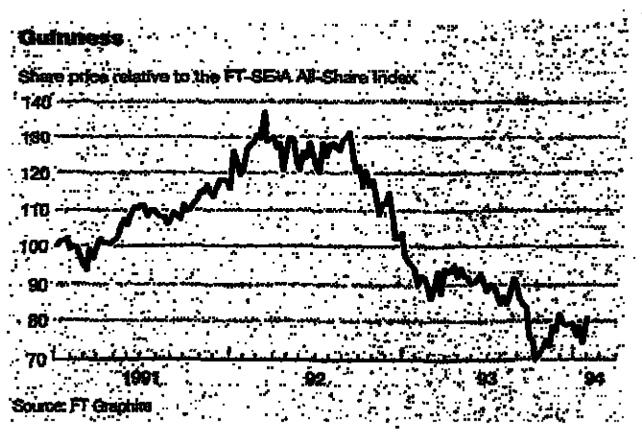
Growth slowed. For the first time for 13 years, pre-tax prof*its in 1992 fell, slipping 12 per* cent.

Tony Greener took over from Sir Anthony in 1993 in a much more hostile trading climate. Economic conditions in some of the group's most important markets had deteriorated. Falling demand and over-production hit the Scotch whisky industry. Guinness closed five whisky distilleries, with the loss of 700 jobs.

Brewing also *had its prob*lems – notably in Cruzcampo, the Spanish brewer. A costly programme of redundancies was required there, too.

Some analysts began to mourn the demise of the deluxe decade in the global spirits industry, suggesting that more value-conscious consumers were unlikely ever again to pay the price of premium brands.

Guinness



Source: FT Graphite

Guinness's sliding share *price reflected that sentiment* – reinforced by similar worries about the cognac, champagne and luxury goods business of LVMH, its French partner.

The alliance came under frequent and questioning scrutiny. The success of the joint distribution ventures it had *established throughout the* world could be measured. They contributed 25 per cent of Guinness's spirits profits.

But there was growing unease about the two companies' 24 per cent cross-shareholdings. Guinness, with an indirect holding, was regarded as a passive investor in LVMH with little influence to show for its £1bn investment. The new-found enthusiasm of Bern*ard Arnault, LVMH chairman,* for expansion into publishing and fashion did nothing to allay the concern.

Those worries continued to *overhang the Guinness share* price even after it reached its lowest point, 400p, on the day that Crispin Davis resigned after little more than a year as *managing director of United* Distillers, the group's spirits division, last October.

The restructuring of the alliance on Thursday changed City attitudes at a stroke. "A strategic coup," said Jonathan Goble, analyst at BZW. "A positive for Guinness," said John Wakely, of Lehman Brothers. "Good sense," said Eric Frankis, of Hoare Govett.

A 10 per cent rise in the share price confirmed that consensus.

Guinness has exchanged its 24 per cent indirect holding in LVMH for a 34 per cent direct stake in Moët Hennessy, the group's cognac and champagne business, and £416m cash.

Apart from the minority blockage rights of the stake, Guinness has also negotiated pre-emption rights on the MH *brands* – Hennessy and Hine *cognac, Moët* Chandon and Veuve Clicquot champagne.

It has thus become a commercial partner in the LVMH in which its real interest lies *and divorced itself from* Arnault's plans for the group as a whole.

The deal has been done as the markets for cognac and *champagne* are beginning to improve – and at a cost of perhaps 4 per cent dilution in earnings per share.

It offers prospects of increased co-operation and improved performance in Asia/Pacific and other world markets.

Guinness's 1993 results will show that the decline in profits has been checked.

Philip Rawstorne

FINANCE AND THE FAMILY

If the price is right the choice is big

There are more types of mortgage on offer than ever. ***Scheherazade Daneshkhu and Bethan Hutton*** *consider their infinite variety*

Many prospective house buyers have been biding their time until the market bottomed out, but estate agents and would-be sellers are now hoping that recent rises in house price indices will flush buyers into the open.

If you are one, and particularly if you are a new buyer, the choice of mortgage may be greater than ever before. There are traditional variable rate loans and many fixed-rate mortgages are available.

In addition, some lenders have introduced mortgage packages to help borrowers pay off mortgages more quickly than the usual 25-year term.

■ How to pay back the mortgage

The choice may at first seem overwhelming, but all mortgages fall into two basic types: repayment or interest-only. This division is created because any loan comprises two parts: the original capital borrowed and the interest.

■ Repayment mortgages

Your monthly repayments cover both the interest and capital so that at the end of the traditional 25-year term, the whole loan has been paid off. The main virtue of this type of mortgage is its simplicity. As long as you maintain monthly commitments, the loan is guaranteed to be paid off at the end of the term.

The main drawback is that each time you move, you have to redeem the mortgage and start from scratch with another loan. Since you will usually be paying more in interest than capital in the early years of the mortgage, you could find that your payments are mostly of interest if you move frequently.

It can be argued that although repayment mortgages are safe, interest-only loans are better because the borrower can invest the portion which would otherwise go towards paying off the capital, giving him the opportunity to make money over and above the original loan.

■ Interest-only mortgages

As the name suggests, your monthly contribution only covers the interest on the original sum borrowed. At the end of the 25-years, the onus is on you to pay off the capital in one go. This method obviously has its attractions at times of relatively high inflation. In 1969, the average house cost £4,640, an amount which seems enviably small today.

Neverthless, you cannot leave everything to inflation, particularly in times of low inflation. The mortgage savings packages suggested by lenders are all equity-linked – an endowment, a pension, or a personal equity plan.

Endowment mortgages still account for most new mortgages, although they have fallen from their 1988 peak. Their popularity is due in no small part to firm recommendation by banks and building societies, who earn commission on their sale.

Your monthly payments consist of the interest to the building society and a premium to an insurance company, which invests the money on your behalf and also throws in some life assurance.

Mortgage-linked endowments are usually for a fixed 25-year term. You need to continue them to maturity to get the full benefit, so once you have one, you carry it with you each time you move, although the underlying mortgage may be switched to a different lender (see below).

Pension and personal equity plan-linked mortgages occupy the "niche" end of the market and are both highly tax-efficient.

However, many do not like the idea of using some of their pension savings to pay off their mortgage. Pension mortgages are also inflexible because the benefits cannot be taken until retirement age. This can mean making interest payments for more than 25 years if you are a young borrower, which is a needlessly expensive procedure.

Peps allow you to invest up to £9,000 annually in the stock market with income and capital gains free of tax. However, you are at the mercy of stock market fluctuations.

Some lenders, notably Cheltenham & Gloucester building society, will allow you to take out an interest-only loan without linking it to a specific product and leave it up to you to decide how to invest to repay the capital sum.

■ Fixed rates

With mortgage and interest rates at 20-year lows, people have been rushing to fix their interest payments. The most recent Council of Mortgage Lender figures for the third quarter of 1993, show that 61 per cent of new mortgages taken out were fixed rate, compared to 27 per cent just one year earlier.

The costs of a fixed rate mortgage include paying a booking or administration fee of £200-£300. Try to avoid fixed rates tied to insurance-related products. And there will be early redemption penalties – the fee for early repayment of part or all of the loan.

Choosing a short-term fix of, say, three years or less, leaves you exposed to the risk that the fix ends just as interest rates rise again. But fixed-rate offers of more than five years are likely to be higher than the standard variable rate of 7.64-7.74 per cent.

■ Reducing the burden
Stepping up repayments

If you are lucky enough to find monthly repayments easily affordable now that interest rates are low, you will save on interest if you reduce the size of your original borrowing.

This option becomes more attractive as monthly payments become more expensive. Mortgage interest tax relief will be restricted to 20 per cent (from 25 per cent) in the 1994-95 tax year and to 15 per cent the following tax year (see table). Miras remains capped on the first £30,000 of the loan.

You should talk to your lender about the best way of making lump sum repayments.

Effect of Miras changes on monthly payments

Loan (£)	Repayment mortgage Now	April 1994	April 1995	Endowment mortgage* Now	April 1994	April 1995
30,000	190.58	197.65	204.84	143.25	152.80	162.35
40,000	254.77	264.52	274.07	206.92	216.47	226.02
60,000	406.33	415.88	425.43	334.25	343.80	353.35
80,000	557.68	567.23	576.78	461.59	471.14	480.69
100,000	709.04	718.59	728.14	588.92	598.47	608.02
150,000	1,087.44	1,096.99	1,106.54	907.25	916.80	926.35

Based on current mortgage rate of 7.64 per cent. *Excludes endowment premiums. Source: Halifax

In most cases, you will need to state that the money is for repaying the capital and instruct the lender to recalculate your monthly interest payments accordingly.

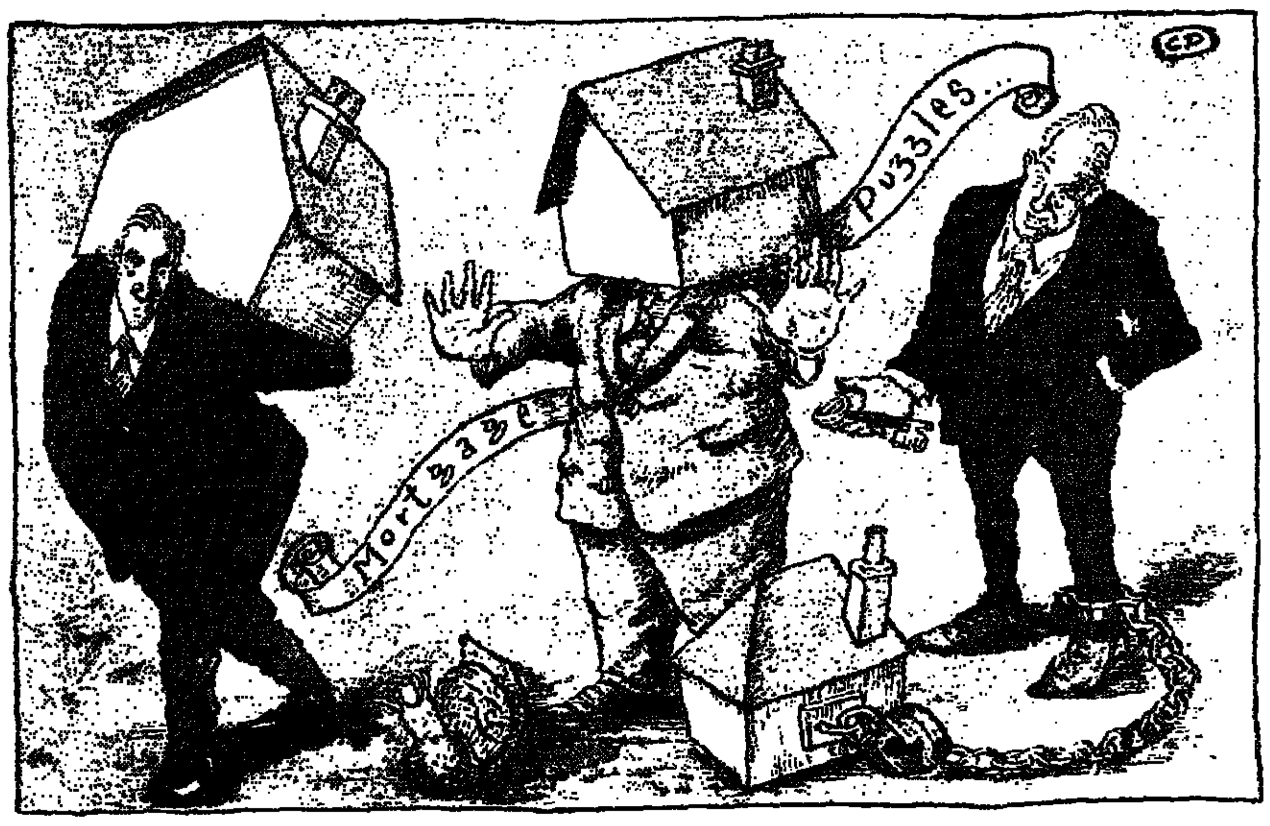
Otherwise, most lenders will treat the money as overpayment of interest and will not take it into account until the end of their financial year.

It has never been in lenders' interest to encourage repayment of capital, since they lose interest. However, Yorkshire Bank, a tiny player in the mortgage market, today launches its Flexible Payment Mortgage which encourages borrowers to step up their repayments, although they can drop back to the minimum level if they need to. This minimum payment level is set at 8 per cent. Since the bank's current variable rate is currently 7.65 per cent, the overpayment of interest is taken into account.

Lump sum repayments of as little as £25 can be made and interest is calculated on a daily basis so that the next payments reflect the lower interest. The borrower can also choose the date on which to make the payments and whether to do so on a weekly, fortnightly or monthly basis. The fee for the mortgage is £150 – the same as for the bank's standard repayment mortgage.

A small increase in monthly payments can make a huge difference. If you paid the minimum on a £60,000 loan from the bank, monthly payments would be £468.39 and the interest would amount to £76,341 at the end of the 25 years. But if you decided to overpay by less than £7, so that monthly payments were £475, you would wipe £14,046.56 off the interest.

UCB Home Loans has a similar product but charges £25 each time you vary the payment.



■ Old endowments

First-time buyers are not the only ones with mortgage choices. Existing home-owners can also take their pick of repayment or interest only mortgages, with all the different repayment methods. But if you already have an endowment policy taken out to cover a previous mortgage, your decision becomes more complicated. If you want a repayment mortgage, what do you do with the endowment? If you choose an interest-only loan, what happens if the endowment is not enough to cover a new loan on a bigger property?

Ian Darby, of specialist mortgage bankers John Charcol, says the first piece of advice must be to hang on to the endowment. Since these are long-term savings vehicles, you will get the highest return if you carry on paying premiums into the policy until its scheduled maturity date (but see below for other options).

If you want a straight repayment mortgage this time, the endowment policy will become redundant as a mortgage repayment method, but you can keep it going as a free-standing savings policy – it is simply no longer assigned to the building society. This is only a good idea if you can afford to pay capital and interest on the new loan in addition to endowment premiums.

Alternatively, if you have an endowment due to deliver, say, £100,000, but you need to borrow £150,000 for your new property, you could structure the new mortgage so £50,000 is repayment, and the remaining £100,000 is interest-only, covered by the existing endowment.

Or you could make the whole mortgage interest-only, and then choose whether you want a second endowment or perhaps a Pep to cover the extra £50,000. Darby says building societies are becoming more flexible about repayment methods, so other savings vehicles, such as unit or investment trusts, or employee share option schemes, could be built into the equation.

If your existing endowment is due to mature in 15 or 20 years' time, you could consider repaying the rest of the new mortgage over the same period, rather than going for the usual 25 years. While interest rates are low, and if you have spare income, this could be worthwhile and affordable.

■ Cancelling the endowment

If for any reason you cannot afford to carry on paying premiums on your existing endowment, there are three main options. But Darby warns: "Virtually all the alternatives, from surrender, to auctioning your policy, to making it paid up, do not represent good value, given the investment that people have already made in their premiums."

Making the policy "paid up" means that you pay no further premiums, but the money you have already paid is still invested, and continues to grow until the original maturity date. When it matures, the policy will not be worth as much as if you had paid all the premiums, but there may still be a decent lump sum.

If you do not want to pay any more, and you would rather cash the policy in, you can either surrender the policy to the life company, or sell it to another investor, through an auction or a broker. You usually get more by selling than surrendering, but much less than by keeping it on. If the endowment is less than five years old, or if it is from a company with a poor investment record, it may be difficult to sell.

It is best to talk to an independent adviser and discuss all the options before deciding to discontinue an endowment.

FINANCE AND THE FAMILY

A bond designed for pensioners

Alison Smith looks at the pros and cons of a product designed specifically for over-65s in a time of low interest rates

The Far Side cartoon advertising the Pensioners Guaranteed Income Bond from National Savings shows animals waiting in pairs to go into the ark to escape the flood, and has a caption promising a guaranteed income, come rain or shine.

What looks appealing as storm clouds gather can, however, seem rather less so if the weather changes.

At present, the bond's combination of features seems attractive. The 7 per cent gross interest rate, fixed for five years and paid monthly on a minimum of only £500 is a mix not available elsewhere in the market. The maximum investment is £20,000.

The government announced the bond in the Budget specifically in order to help pensioners of 65 and over because so many had seen incomes drop as a result of falling interest rates.

At the same time, it did not want to lock investors irreversibly into an interest rate that might be generous now but could trap them if rates rose sharply.

The solution is the two-month withdrawal period. Investors can withdraw money from the bond, provided they give 60-days notice and suffer the loss of 60 days interest.

Launching the bond, Anthony Nelson, Treasury economic secretary, said that he believed this feature was as important as the interest rate itself. It would enable people to move if they wanted to do so, but would not unfairly give them "a one-way bet".

Knowing that you will not inevitably be left behind if the market moves on clearly makes the prospect more tempting.

The drawback is that to make the most of this flexibility requires quite sophisticated judgments about the speed and scale of interest rate movements.

For those who use the monthly interest to supplement their incomes - some of those in mind when the bond was designed - the loss of two months' payments may also be a significant disincentive to shifting their investment, even if interest rates have risen.

All investors will automatically be paid their interest gross (on the 15th of the month) and so people who do not pay tax will not have to go through the process of reclaiming it.

If an investor dies before the five-year term is completed, there is no financial penalty. The bond can either be transferred to someone else of eligible age, or can be realised.

Other products available do, however, match or better individual aspects of the bond, and are not restricted to a particular age range.

The National Savings capital bond series H, for example, offers 7.25 per cent compound interest guaranteed for five years from a minimum of £100. Like the Pensioners bond, interest is taxable but is paid gross. However, the interest is only paid on maturity and no interest at all is available if the bond is repaid within the first year.

Some banks and building societies offer monthly interest on fixed-rate five year bonds, but none of these starts as low as £500, and none offers as much as 7 per cent gross. The range is broadly between 5-6 per cent.

National & Provincial building society's escalator bond, which guarantees that the rate will rise over the term, does have a minimum of just £500.

For that minimum, the rate rises from 4 per cent in the first year to 6 per cent in the fifth year if interest is paid monthly, and is 0.5 percentage points higher throughout if the interest is paid yearly. But the penalty for early repayment is loss of 150 days' interest.

Another product comparable with the pensioners' bond are Tessas (tax exempt special savings accounts). Most pay interest annually but some will do so on a monthly basis. According to Moneyfacts, Coventry building society offers a monthly income Tessa at 6.75 per cent on £1 upwards, while Stroud & Swindon building society offers the same rate on a minimum of £3,000. Both offer 7 per cent if interest is paid annually.

These interest rates are variable, but the fact that the products are tax-free could mean that for some people they offer a better real rate of return, at least for the moment.

The pensioners' bond went on sale yesterday. People can call for a prospectus and application form using a free 24-hour a day telephone line (0500-500000) or can fill in the coupon attached to the advertisement in the press. If you apply using the coupon, you have a 28-day cooling off period in which to change your mind.

Application forms will be available in post offices from 10 February.

Bonds/Michael Dyson

Gilts overshadow the performance of Pibs

Reviews of 1993 reported the strong performance from gilts but few mentioned the strength of other sterling bonds.

For instance, total returns from permanent interest bearings shares - fixed interest-paying instruments issued by building societies - ranged from 35 per cent for Halifax 12 per cent, to 46 per cent from Bristol & West 13.375 per cent. Of the 46 per cent gain, 34 per cent was tax-free capital gain and 12.4 per cent was the gross amount of income.

Predicting the future value or direction of your capital is pure speculation and one rarely recommends Pibs for capital growth. Therefore, the 1993 capital gain should be regarded as a bonus which will almost certainly not be repeated in 1994.

However, one certainty is that investors who bought the Pibs with a 12.4 per cent income yield will receive the same in 1994 as in 1993, and 1995, and so on. Investors in most types of bonds (but not in Pibs, which will normally never be repaid) is that they know from the outset when, and how much, the bonds will be worth at the maturity date.

That is why institutions hold large bond portfolios within life, pensions and other investment funds. Last year saw record sterling bond issues of £22.6bn in addition to £60bn of new gilt issues.

We recommend bonds for financial planning and to form the core of most portfolios to which equities can be added.

You can buy bonds through a broker or authorised adviser. Market forces will determine the capital value, except upon maturity, which will be what was promised at the time of purchase. In the meantime you receive interest payments from the issuer.

When you buy the bond, you need to be certain that you know for how long you wish to hold it, how much you want to receive back, and the income that will be paid in the meantime.

You must also believe the issuer can afford to keep its promise (remember that unlike dividend payments which can be reduced or omitted at the discretion of the board, bond interest is a contractual obligation and failure to pay could force a company into liquidation).

Finally, the bond markets are always developing. Last week saw the re-emergence of the once large corporations sector.

Investors buying the new corporation issues have been achieving attracting yields of 65 basis points above comparable gilts, but they are not specifically guaranteed by the government.

■ *Michael Dyson is a director of Barclays de Zoete Wedd Capital Markets. This is a market-maker and cannot deal with private clients directly. Readers interested in buying bonds should approach a broker.*

Fixed interest securities for private investors

Issuer	Coupon %	Price	Redemption Date	Redemption Price	GRA s.a.	Income Yield	Interest Dates	NRY 25%	Net Inco 25%
■ **Priority for income**									
Birmingham Midshires Building Soc PIBS	9.375	104.375	n.a	n.a	n.a	8.93	1/3 1/9	n/a	6.74
North American Life Eurosterling	9.250	104.5	17.11.2003	100	7.46	7.91	17/11	5.52	5.93
European Inv Bank Bulldog	10.375	130.25	22.11.2004	100	6.45	7.97	22/5 22/11	4.27	5.97
■ **Balanced Income & Capital**									
Nationwide Building Soc Eurosterling	6.125	99.5	15.11.1999	100	6.15	6.16	15/11	4.65	4.62
Dudley Borough Council	7.000	39.375 Part Paid	1.2.2013	100	7.05	7.04	1/2 1/8	5.20	5.26
■ **Zero dividend preference Shares**									
Schroder Split Zdp	0.000	113.25	31.1.2002	202.76	7.43	n.a	n/a	6.45*	n/a
Johnson Fry 2nd Utilities Zdp	0.000	108.5	31.12.2003	222.6	7.40	n.a	n/a	6.45*	n/a

*Assumes inflation at 3 per cent

The Week Ahead

Lonrho's annual results for the year to September 30 are the first it has published since Dieter Bock its German joint chief executive, started the process of making the international trading group a "more normal company".

Last autumn, he succeeded in having non-executives appointed to the board for the first time in 20 years and in setting up an audit committee to review auditing procedures and financial performance.

The figures will therefore be of particular interest to see if the audit committee's influence is apparent - and whether the company statement contains any telltale signs of the state of the battle between Bock and his fellow joint chief executive, Tiny Rowland.

Analysts believe that profits from ongoing businesses doubled last year to around £80m and that the figure including gains from disposals could be as high as £140m.

John Menzies, the Edinburgh-based retail and wholesale group, is expected to announce on Monday increased profits for the six months to October from £3.8m to between £4.1m and £5m.

WH Smith reports on Wednesday, and profits are expected to be up from £40.2m to between £42m and £46m for the six months to November. Sales increases for the first half may be flattered somewhat by weak comparatives from the year before, with the second half comparatives getting more difficult.

Thursday sees interim results from furniture retailer MFI, with analysts' uncertainty about its performance reflected by the wide spread of forecasts centring on about £22.5m-£23m - up from £12.7m last year - excluding the profit on MFI's sale of shares in Carpetright. Its comments on the January sale period will attract particular attention.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Aberforth Smaller	InTr	Dec	3,060	(4,320)	4.36	(5.8)	4.6	(4.6)
Alexander Holdings	Dist	Sep	512	(691 L)	1.25	(-)	0.5	(-)
Central Motors	Dist	Oct	862	(853)	4.52	(5.46)	4.0	(4.0)
City Site Estates	Prop	Sep	349	(18,100 L)	-	(-)	-	(-)
Crest Nicholson	B&C	Oct	2,130	(975 L)	0.01	(-)	1.0	(0.01)
Davenport Vernon	Dist	Sep	2,110	(1,640)	10.0	(8.1)	4.2	(4.0)
Dawson Holdings	Dist	Sep	3,830	(3,010)	72.0	(55.0)	28.0	(24.0)
Denmans Electrical	Dist	Sep	2,030	(1,520)	30.74	(23.73)	8.4	(8.1)
Division Group	SupS	Oct	503 L	(107 L)	-	(-)	-	(-)
Eurocamp	L&H	Oct	6,250	(9,400)	16.2	(24.2)	9.75	(9.75)
Everards Brewery	n/a	Sep	1,860	(899)	67.3	(50.5)	13.6	(13.0)
Gestetner	E&EE	Oct	33,200 L	(27,100)	-	(-)	3.0	(8.2)
Hill & Smith	Eng	Sep	4,030	(1,530)	9.91	(1.95)	6.2	(6.0)
Hunterprint	PP&P	Sep	3,200 L	(12,200 L)	-	(-)	-	(-)
London & Clydesdale	B&C	Sep	742	(404)	5.2	(2.9)	4.8	(4.5)
London Scottish Bank	OtFn	Oct	4,540	(3,850)	5.8	(5.0)	3.4	(3.0)
Lookers	Dist	Sep	5,010	(1,830)	12.3	(0.1)	4.5	(4.2)
RCO Holdings	SupS	Oct	4,770	(4,720)	29.67	(29.16)	10.25	(9.24)
Soundtracs	E&EE	Nov	615	(350)	4.09	(2.45)	2.4	(2.2)
Windsor	Ins	Sep	1,100 L	(616)	-	(-)	-	(-)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Aero Engineering	Eng	Oct	127	(109)	0.25	(0.25)
AIM Group	Eng	Oct	1,180	(2,820)	1.5	(1.5)
Barbour Index	Med	Oct	2,030	(2,710)	2.7	(2.55)
Beales Hunter	E&EE	Nov	1,430	(1,360)	2.55	(2.45)
Budgens	RetF	Nov	3,050	(3,067)	0.3	(-)
Cardo Engineering	Eng	Sep	5,190	(3,680)	1.9	(1.8)
Carpetright	RetG	Oct	5,510	(3,400)	2.7	(1.23)
Chartwell	n/a	Sep	51 L	(137 L)	-	(-)
Colorvision	RtGn	Sep	1,260 L	(153)	2.5	(2.5)
Contra-Cyclical	InTr	Dec※	867	(972)	6.75	(6.75)
Court Cavendish	HthC	Oct	450	(86)	1.35	(-)
Crest Packaging	PP&P	Oct	2,430	(2,360)	-	(-)
Daejan Holdings	Prop	Sep	8,390	(7,540)	12.0	(12.0)
Dalepak Foods	FdMa	Oct	29	(1,600)	0.5	(1.5)
Dunedin Japan Inv.	InTr	Dec★	47	(-)	-	(-)
Electron House	Dist	Nov	1,610	(579)	1.2	(1.05)
Exmoor Dual Inv.	InTr	Nov♥	154	(166)	2.25	(2.5)
Greycoat	Prop	Sep	43,500 L	(44,000 L)	-	(-)
Hampson Industries	Eng	Sep	2,480	(1,690)	0.5	(0.4)
Heath (Samuel)	BM&M	Sep	136	(85)	1.5	(1.5)
McKay Securities	Prop	Sep	1,350	(877)	2.1	(-)
North Indust. Improve.	n/a	Sep	220	(224)	-	(-)
Peel Holdings	Prop	Sep	2,210	(1,640)	1.3	(1.0)
Ransom (William)	Phm	Sep	285	(289)	0.77	(0.53)
Real Time Control	SupS	Sep	424	(258)	-	(-)
Rubicon	Eng	Nov	1,940	(1,220)	1.8	(1.5)
Second Consolid.Tst.	InTr	Oct	1,200	(-)	2.1	(-)
Surrey Group	L&H	Sep	57 L	(632 L)	-	(-)
Stanley Leisure	L&H	Oct	5,360	(3,530)	1.75	(1.52)
Tamaris	HthC	Sep	2	(28 L)	-	(-)
Whinney Mackay-Lewis	Prop	Oct	282 L	(363 L)	-	(-)
Wood (John D)	Dist	Oct	369	77 L	0.75	(-)
YRM	Prop	Oct	1,190 L	(498 L)	-	(-)
Zetters	L&H	Sep	421	(427)	4.0	(4.0)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss.
† Net asset value per share. ※ Figures for 9 months. ɸ Figures for 28 weeks.
§§ Figures in Irish pounds and pence.
§ Figures in US dollars and cents.
★ Net Revenue ♥ 3 month & Attributable revenue.

News in Brief

Pilot trust launches Pep

Pilot Investment Trust, the smaller companies fund launched last March and run by Rutherford Asset Management, is introducing a Pep and regular savings plan.

Minimum investment in the Pep will be £250 through a lump sum, or £25 a month by direct debit. There is an extra 0.5 per cent annual charge on the Pep, on top of the usual 1 per cent management fee, plus a dealing charge of 1 per cent.

The Pep will be administered by Sharelink. The savings scheme has a monthly minimum of £50, or £250 lump sums, and dividends are automatically reinvested.

□ □ □

Rothschild Asset Management is cutting the initial charge on its Five Arrows Pep to 3.25 per cent from 5.25 per cent for investments made before April 5. The Pep can be used to invest in three trusts - the Five Arrows Major UK Companies, Smaller UK Companies, and UK Equity Income. There is an annual charge of 1.5 per cent, and the minimum investment in any one fund via the Pep is £500.

□ □ □

Charges on the Witan Pep, run by Henderson Touche Remnant, are also being cut. There is no initial charge on the Pep, but the transaction charge is being cut from 1.25 per cent to 1 per cent, and the annual Pep management charge is being cut from 1 per cent to a flat £30. The new charges will apply to new subscribers immediately, and existing investors from April 5. The annual charge on the underlying Witan investment trust is 0.28 per cent.

□ □ □

Scottish Provident has cut payouts on short-term with-profits endowment policies, but lifted longer-term payouts slightly. A 25-year policy, taken out by a man aged 29 paying £30 a month, will pay £56,760 this year, up 0.6 per cent from last year, while a 10-year policy would pay £6,478, down 5.3 per cent.

The company has also changed its annual bonus system, with different bonus levels on the sum assured and previous bonuses, rather than a single level as before.

So rather than 5.2 per cent overall on life contracts paid last year, this year the figures are 4 per cent on the sum assured and 6 per cent on existing bonuses. This rewards longer term policy-holders more, as they have accumulated more bonuses.

Terminal bonus scales have been adjusted to pay more to longer-term policies. Bonus rates on unitised with-profits policies have also been cut, from 8.5 per cent to 7.75 per cent for life, and 10 per cent to 9 per cent for pensions.

Royal Life has increased payouts on with-profits endowments by increasing terminal bonuses. The pay out on a 25-year policy is £61,172, up 10.1 per cent, and for a 10-year policy, £5,878, up 0.1 per cent. Reversionary bonuses on unitised with profits policies have been held at 6.5 per cent, but terminal bonuses have been raised from 25 per cent to 30 per cent.

□ □ □

Lenders have been issuing new fixed rate mortgages. Abbey National's range includes 7.15 per cent (7.5 APR) fixed until the end of April 1999, 6.75 per cent (7.1 APR) fixed until April 30 1997 and a fixed rate of 6.39 per cent (6.7 APR) until April 30 1996.

The booking fee is £300 for the five year fix and £250 for the others. There are early redemption penalties of between 60-150 days loss of interest. First-time borrowers are being offered 6.25 per cent (6.5 APR) until the end of April 1996 and 6.59 per cent (6.8 APR) to April 30 1997. The booking fee for both mortgages is £90 and early redemption penalties are 60-90 days loss of interest. The mortgages are not linked to compulsory insurance-related products.

Nationwide building society has released a new two-year fix of 5.85 per cent (7.7 APR) for first time buyers for a £95 fee. The rate for other borrowers is 5.99 (7.8 APR) and the fee is £200. Borrowers will get a free valuation and £250 "cashback". The early redemption penalty is 3 months. There is no compulsion to take out insurance-related products.

TSB is offering a 10-year fix at 7.89 per cent (8.4 APR) for an arrangement fee of £850 but borrowers have to take out the bank's buildings and home contents insurance. All the mortgages are portable.

□ □ □

Bradford & Bingley has relaunched its 30-day Direct Notice postal account. Interest rates are 6.35 per cent gross on £1,000-£9,999; 6.85 per cent gross on £10,000-£24,999 and 7.1 per cent on balances of £25,000 and above.

There is also a monthly income option of 6.65 per cent on balances of £10,000 and above. The rates are 6.65 per cent gross (£10,000-£24,999) and 6.9 per cent gross on £25,000 and above.

RIGHTS ISSUES

Crest Nicholson is to raise £19.1m via a 1-4 rights issue of 22.53m shares at 88p.
Gander Holdings is to raise £2.7m via a 1-2 rights issue at 6p per share.
Spring Ram is to raise £42.2 via a 2-9 rights issue at 53p per share.
Stanley Leisure is to raise £21.1m via a 3-17 rights issue of 7.98m shares at 275p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Fitzpatrick (J P) to join market through a £8.75m cash and paper reverse takeover by Baillie Gifford Technology.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Allied Textile Cos'	Text	Friday	4.5	8.1	4.6
Bullough	Eng	Wednesday	1.75	4.3	1.75
Derby Trust	InTr	Thursday	-	-	-
Domino Printing	Elec	Tuesday	2.4	4.8	2.65
First Philipine Inv Trust	InTr	Friday	-	0.2	-
Govett Emerging Markets	InTr	Thursday	-	-	-
Greenfriar Investment Co.	InTr	Friday	2.1	4.25	2.15
Gresham Telecomputing	SupS	Thursday	-	0.25	-
GWR	Med	Monday	4.0	8.0	5.0
Ivory & Sime Isis Trust	InTr	Tuesday	-	-	-
Lonrho	Dvrf	Tuesday	2.0	2.0	2.0
M&G Dual Trust	InTr	Tuesday	-	-	-
Partridge Fine Arts	Strs	Thursday	1.0	1.25	1.0
Shandwick	Med	Tuesday	-	-	-
Warner Estate Holdings	Prop	Thursday	3.5	7.0	3.65
Willoughbys	Extn	Tuesday	-	-	-
Witan Investment Co.	InTr	Thursday	2.7	2.9	2.7
INTERIM DIVIDENDS					
Bailey (C H)	OS&B	Friday	-	-	-
Birkdale Group	Med	Friday	-	-	-
Brandon Hire	C&C	Friday	-	-	-
Contors	Strs	Tuesday	1.0	3.0	-
Cathay International	HseG	Friday	-	-	-
Clayhithe	OtFn	Tuesday	0.75	1.75	-
Coal Investments	Extn	Thursday	-	-	-
Cupid	Text	Friday	-	-	-
Danka Business Systems	E&EE	Thursday★	3.0	0.7	-
Dyson (J&J)	BM&M	Friday	2.0	3.0	-
Excalibur	Misc	Monday	0.2	0.3	-
Fleming Emerg.Mkts.Inv.Tst.	InTr	Tuesday	-	-	-
Goodhead	Med	Friday	-	0.5	-
Govett American Smaller	InTr	Wednesday	-	-	-
GT Japan Investment Trust	InTr	Monday	0.5	0.65	-
Harmony Property	L&H	Friday	-	-	-
Investment Capital Trust	InTr	Thursday★	1.27	1.3	-
Menvier Swain GP	Elec	Tuesday	3.3	7.7	-
Menzies (John)	Strs	Monday	3.8	7.0	-
MFI Furnishing	Strs	Thursday	1.25	2.5	-
Mleys	Elec	Thursday	2.61	4.4	-
Mitie	BsSr	Monday	1.5	7.0	-
Murray Smaller Markets Trust	InTr	Tuesday	1.35	2.85	-
Murray Split Capital Trust	InTr	Wednesday	-	-	-
Prism Leisure	L&H	Thursday	0.9	2.37	-
SelecTV	Med	Friday	-	-	-
Smith (W H)	Strs	Wednesday	4.3	9.9	-
Stewart Zigomala	n/a	Wednesday	-	-	-
TR Smaller Companies Inv.Tst.	InTr	Monday	1.6	2.9	-
Wholesale Fittings	Elec	Friday	3.73	8.47	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡‡ - 3rd Quarter figures. ★ 1st Quarter figures.

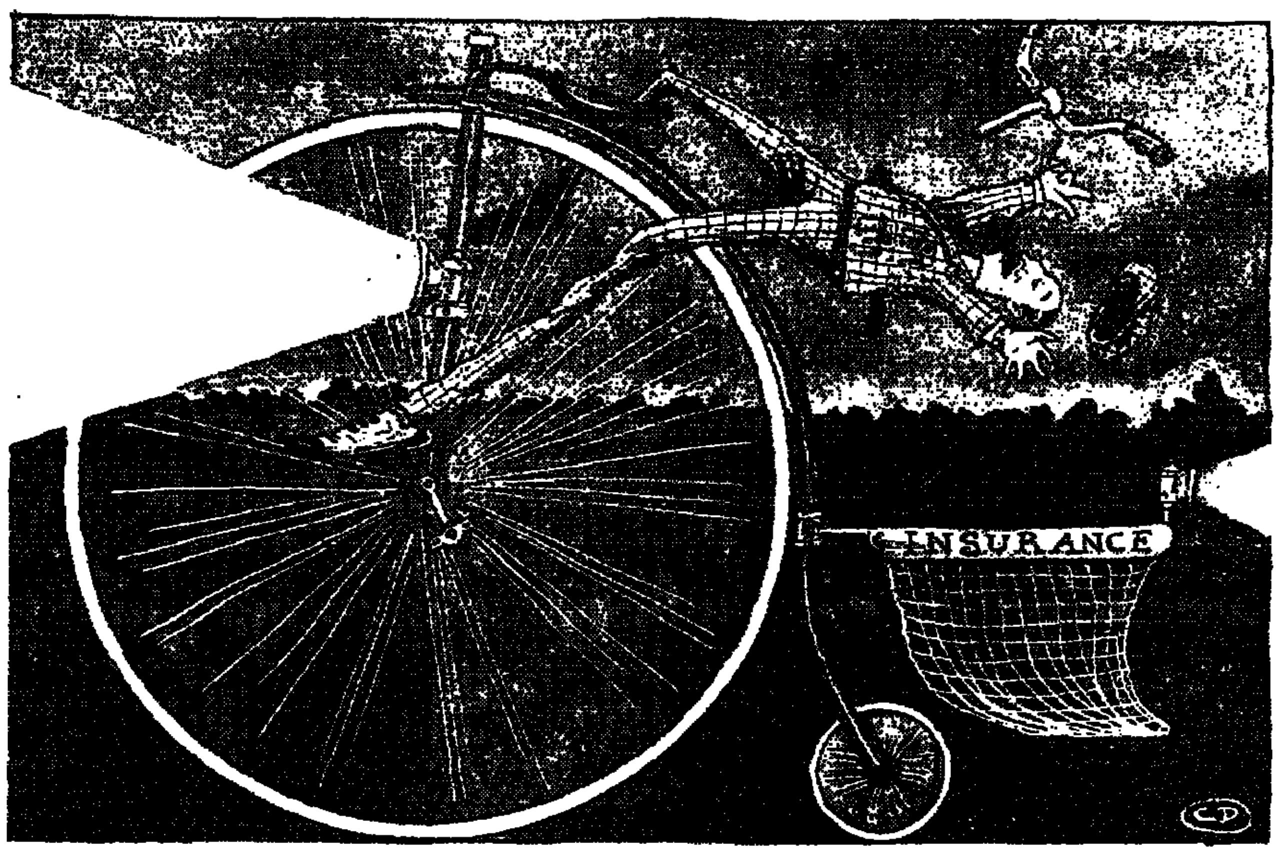
TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Anglia Television	637	655	484	292.0	MAI
Bennett & Fount ‡	2*	4	4	2.10	Marlowe
Central Ind T/V	2600	3085	2168	758.00	Carlton Comms.
LWT	700	700	585	730.26	Granada

*All cash offer. ††Value of bid based on 30% stake. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 21/1/94. §§Shares and cash. ¶Value of bid based on remaining 20% of shares. ‡Value of bid based on remaining 25% of shares. ‡ Net asset Value

Trouble on two wheels

All bikes are becoming harder to insure, writes ***Bethan Hutton***



Four wheels are good, but two wheels can be better, especially in city traffic jams. More and more people are taking to motorcycles and bicycles to get to work or get around. But thieves are also keen on bikes: they are left in the open for hours at a time, are easy to sell for a quick profit, and provide built-in getaway transport. The fashion for expensive mountain bikes and lots of accessories has added to the temptation.

■ **BICYCLES**

Finding an insurer to cover your bicycle for an affordable price is becoming increasingly difficult, particularly if you live in one of the cycle crime blackspots. London, Bristol, Oxford and Cambridge are among the areas where insurers are no longer enthusiastic about providing cover.

"Bristol for some reason is almost a Bermuda triangle for cycles," says Elaine Court, of AUA Insurance in Norwich, one of the few remaining insurers with a stand-alone bicycle policy. It no longer covers cycles in central Bristol, Cambridge, Oxford, Manchester, Southall, or anywhere with a London postcode. Residents of other areas are divided into three premium categories. So a bike worth between £350 and £400, owned by someone living in a rural area, would cost £37.50 a year to insure, while a person living in Croydon would pay £56.25 to cover the same bike. Children and students are excluded.

Students have a tough time getting insurance from most specialists: their claim levels are twice as high as normal, according to West Mercia Insurance Services, of Wombourne, near Wolverhampton. It will not cover students aged 18-25, although its partner firm, Harrison Beaumont, will cover cycles as part of a student possessions insurance policy. The other possibility for students is to get their parents' home contents insurer to extend cover to their term-time address.

One firm which used to specialise in cycle insurance is almost giving up. Graham Brown Insurance Brokers will not be taking on new cycle business because of unexpectedly high levels of claims, although existing customers will still be covered.

Some of the cycling organisations, such as the Cyclists Touring Club, in Godalming, Surrey, and the London Cycling Campaign, still have insurance schemes for their members, though it is becoming more difficult to get such schemes underwritten. The CTC also offers travel cover for cyclists touring abroad.

Theft or damage are not the only problems faced by cyclists. If you cause an accident with a car, or hit a pedestrian, they could sue you for damages. Most cycle insurance policies cover legal liability, but personal accident cover (for any injuries you suffer) is usually extra.

Security is a consideration. The invincible cycle lock is yet to be invented, but insurers will not be sympathetic if you use only a flimsy chain. Some will not cover you for leaving your bike outside all night, or if you leave it chained up outside work all day. Make sure your pattern of use is covered before buying a policy.

The majority of cyclists opt for cover under their home contents insurance, which can work out cheaper than a specialist policy. For example, General Accident's main home policy covers bikes worth up to £200. After that they have to be specified, and an additional premium paid, ranging from £3.20 to £5 per £100, depending on the area. Many insurers impose a limit on the value of bikes they will insure, often somewhere between £500 and £1,000. Home contents policies often include an element of personal liability cover as well – check that yours does.

But be warned: your cycle is probably your highest-risk possession, and a string of claims will put a black mark on your insurance record. It could cost you more than the cycles were worth. Your premiums may rocket, or you may have to accept a high excess, and if you try to change insurers, you may be turned down.

The alternative is to follow Lord Justice Scott's example – buy a cheap undistinguished bicycle and do not insure it. Even if you have to replace it every year or two, it could work out cheaper overall, particularly as an old rust-heap is less likely to be stolen than snazzier modern models.

■ **MOTORCYCLES**

Motorcyclists have also seen premiums rise steeply in recent years. Norwich Union, which has the largest share of the motorcycle insurance market, stopped covering younger bikers a few years ago because claim levels were so high. Now it has introduced a new rating system which it hopes will make premiums better matched to risks, and has started offering comprehensive cover for the under-28s again.

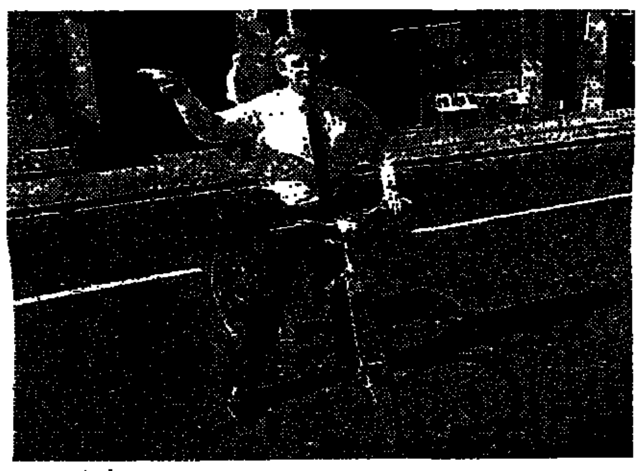
Traditionally, motorcycles were rated on a combination of rider's age, address and size of engine. The exact model or value of the motorcycle was not taken into consideration. With modern motorcycles, however, there can be large differences in performance, value and expense of repairs between models with the same engine capacity.

Norwich's new Premier Bike policy assigns motorcycles to one of 17 groups, in the same way that cars are underwritten, depending on the model, its price and so on. It also pays attention to the driver's age and address.

Allen Burton, of the Birmingham-based Motorcycle Action Group, says even this rating system may not give a true reflection of risks. For example, Burton says age is not an accurate guide to accident risk: experience is more important. Many weekend bikers in their 30s and 40s, may have less experience than a 20-year-old, and so are more likely to crash.

MAG introduced an insurance scheme for its members six months ago, and has been able to negotiate lower premiums, as MAG members are likely to be more experienced than average. The premiums depend on experience, and the model of motorcycle, taking into account its value and attractiveness to thieves, and also how expensive it is to repair.

Traditional-style motorcycles such as Harley Davidsons can be cheaper to repair than many modern Japanese motorcycles, unless they are vintage models for which parts are difficult to find. Streamlined modern motorcycles often have "fairings" – plastic or fibreglass shells around the front wheel and handlebars – which can crack in even minor accidents, and have to be replaced whole, at a cost of about £1,000, Burton says. A Harley might only sustain a minor dent in the same circumstances. However, Harleys are highly attractive to criminals, so their overall premium rate is still high.



Trevor Humphries

CYCLIST IN THE NEWS: Lord Justice Scott has been an enthusiastic cyclist for "between 25 and 30 years", writes Jimmy Burns.

He has never had an accident and never been insured. His first bike was second hand. He never chained it up and it was eventually stolen. For the last 20 years he has been on a slightly newer bike. "I bought it for about for £80 – it was the cheapest in the shop. This time I invested in a padlock and chain." Why no insurance for a judge who bicycles to his inquiry every morning? "I've never really considered it. It is not clear that it is cost effective."

FINANCE AND THE FAMILY

Expatriates / Debbie Harrison

Check your pension options

Expert advice is needed to prevent short-term gain becoming long-term expense

BECAUSE YOU SPEND A LOT OF TIME TRAVELLING AT NEAR THE SPEED OF LIGHT YOUR RETIREMENT AGE HAS GONE UP TO 132.

Foreign assignments are viewed by many employees as a lucrative and exciting perk but the short-term financial gains can be undermined by long-term damage to your pension.

It is wise to seek expert advice to check the value and security of pension arrangements because there is no UK standard expatriate pension package.

There are several options to consider – remaining in the UK scheme, setting up an offshore arrangement, or joining the local scheme in the country of assignment. Helen Cox, partner with international law firm Clifford Chance, said: "Whatever arrangement you settle for, it is important to check that you are not losing out in terms of the continuity and level of your pension benefits. In some expatriate contracts, employers guarantee that you will be no worse off as a result of your secondment than if you had stayed in the UK in the main company scheme."

■ **Remain in UK company scheme**

Under UK law it is possible to remain in the company scheme for up to 10 years provided your employer meets qualifying rules, although you might hit a three-year time limit if your company is a UK subsidiary of a foreign one.

Brian Waite, international consultant with actuaries William M Mercer, says: "Most employees going abroad for a single assignment for, say, three or five years, prefer to stay in their UK company pension scheme if they think they are going to return to the UK at the end of the assignment. All their benefits will then come from one source in one currency, and they do not have to chase around trying to track down benefits from overseas employers when they come to retire in 30 years."

Taxation is the main stumbling block in any expatriate pension package and retention in the UK scheme is no exception. Most schemes in Europe, for example, work on the principle of tax deferment and so, although they allow tax relief on contributions, the pension itself is taxed (with some exceptions such as the tax-free cash lump sum on retirement in the UK).

Clearly, employees who claim relief on contributions in one country but pay tax on the pension in another, upset the fiscal balance. As a result many foreign tax authorities will treat an expatriate's pension contributions paid by the UK employer to the UK scheme as extra income and will tax them accordingly.

The EU is struggling to create a more equitable and flexible system to allow expatriate workers to remain in their home country scheme and retain all the tax reliefs, but progress is slow and in the meantime exiles should check carefully how their pension contributions will be treated for tax purposes in the country of assignment.

■ **Unfunded promise**

It is not the pension promise that causes difficulties but the funding of that promise. For this reason some employers offer an "unfunded promise" where the usual pension benefits are provided during the secondment but there is no fund to back that guarantee.

In spite of their apparent simplicity, there are significant risks associated with unfunded promises. For example, how safe would your pension be if the company went into liquidation or was taken over by a hostile predator? What would happen if you left to work for a rival company and tried to take a transfer of pension benefits? Where there is no specific fund earmarked for the pension covering the period of secondment this could prove very difficult.

■ **Offshore trusts**

Offshore pension trusts can be an effective and tax-efficient way of providing pension benefits for senior executives, particularly if their career makes it impossible for them to remain within the UK company scheme. The trust, often sited in the Channel Islands, can be designed to provide higher benefits and earlier retirement than the main UK company scheme.

Where the employee plans to retire abroad the trust can be set up to pay benefits in different currencies.

Offshore trusts are complex and must be arranged by a reputable firm of benefits consultants and legal experts and should be backed by documentation.

■ **Other options**

If the job abroad is for a foreign employer, it is worth looking at the local company pension scheme. In some cases, membership of the company pension scheme may be a condition of employment.

If you join a foreign scheme, you should qualify for employer contributions and all the tax reliefs associated with locally-approved pension arrangements. The downside is that because of different minimum qualifying periods, you may have to work for several years before you have the right to any pension at all. Furthermore, it may be difficult to transfer your benefits out of the country if you leave.

Other alternatives include a local individual private pension plan, if this type of product is available, or an offshore plan. Beware of offshore plans sold by insurance companies. Charges and commissions may be very high and the contract may lock you into a fixed period of contribution. If your secondment is cut short and you return to the UK you could face punitive early termination penalties.

■ **State pensions**

State pensions are funded through national insurance contributions. Normally, when you work abroad for more than a year, you will leave the UK social security scheme and pay into the local system. While UK pensions are meagre, in most European countries they are more substantial.

A pan-European Union system allows you to aggregate the number of years you have paid national insurance contributions in different EU countries in order to meet the various minimum qualifying periods that apply. However, when planning for retirement, it is important to remember that the age at which you can claim the state pension varies from 60 to 67 depending on the country of source.

■ *Next week: retiring abroad.*

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Airsprung Furnitur	HGod	149,242	440	4*
Anglian Water	Watr	65,645	365	1*
Berkeley Group	BCon	77,880	409	1*
Blacks Leisure	RetG	35,500	13	3
Cater Allen	OthF	35,706	221	3*
Clinton Cards	RetG	174,000	287	
East Midlands Elec	Elec	70,750	444	1*
Fleming Intl Hi Inc	InvT	57,453	56	
Gleeson Group	BCon	28,500	260	1*
Gold Greenlees	Mdla	36,685	83	4*
Halma	Eng	6,200	14	1
Hunters Armley	PP&P	725,000	1,283	3
Jeyes	HGod	33,243	120	1*
Kenwood Appliances	Tran	80,000	293	1
Marshalls	BM&M	30,000	39	1*
Nobo Group	OS&B	400,000	988	2
Osborne & Little	HGod	22,000	55	3
P & O (inc def)	Tran	16,000	103	1
RMC Group	BM&M	1,500	15	1
Sainsbury J	RetF	9,500	44	2
Sherwood Computer	SSer	100,000	154	1*
Tay Homes	BCon	500,000	1,070	1
Thomas French &Sons	Text	350,000	350	1
Tinsley Robor	PP&P	120,000	24	1
Treatt	FdMa	48,060	96	4*
Walker Greenbank	HGod	50,000	52	1*
Wetherspoon	Brew	4,000	15	1
PURCHASES				
Beckman A	Text	120,000	66	1
Birse Group	BCon	20,734,580	4,147	6
Capital Inds (pref)	PP&P	62,000	47	1
FKI	Eng	10,000	18	2
Gt WesternResources	O&E	150,000	54	2
Guinness	SW&C	10,372	50	1
Hamlet Group	Text	25,000	39	1
Kalamazoo	SSer	20,000	20	1
N Atlantic Small Co	InvT	17,062	38	1
Old Ct Currency Fnd	n/a	11,317	114	1
Osprey Communicatn	Mdla	106,833	44	1
QS Holdings	retG	10,000	24	1
Taylor Nelson AGB	Mdla	75,120	20	1
Thomas French & Son	Text	100,000	100	1

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 10-14 January1994.
Source: Directus Ltd, The Inside Track, Edinburgh

Directors' transactions

It happens every time. The market soars to unexploded heights and we wait to see what directors will do. Some do nothing much, some sell a little to take profits, others continue to deal for personal financial planning reasons.

Nobo Group produces office equipment. In the second week of January, the company announced interim results strongly ahead of the same period last year. The share price has moved up on the back of it so the sale of 200,000 shares each by Peter Kent, the non-executive chairman, and Reginald Barr, the chief executive, is not surprising. Each director retains considerable quantities of stock. Sales should aid market liquidity.

Thomas French & Sons, the home decoration company, appears in both the sale and buy columns. Final results were announced at the beginning of January and M Snapes was appointed as a new chief executive. He then bought 100,000 shares. The chairman and erstwhile managing director, Thomas French, sold 100,000 shares to Snapes and sold the other 250,000 shares for a beneficial trust.

A Beckman Plc is involved in both textile converting and merchanting and property investment. Melvin Lawson, an executive director bought 120,000 shares for 55p, increasing his holding to over 900,000.

Colin Rogers, Inside Track

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.50%B	Yly
Skipton BS	High Street	0756 700511	Instant	£2,000	6.75%	Yly
Birmingham Midshires BS	First Class	0902 645700	Postal	£10,000	6.35%	Yly
Coventry BS	Extra Interest	0203 252277	Instant	£25,000	7.10%B	Yly
NOTICE A/cs and BONDS						
Bradford & Bingley BS	Direct Notice	0345 248248	30 Day P	£1,000	6.85%	Yly
B & W Asset	Asset 90 Day	0800 303330	90 Day	£25,000	7.30%	Yly
Norwich & Peterborough BS	Trident	0733 391497	14.7.94	£30,000	7.50%F	OM
Newcastle BS	Nova Select	091 261 6622	29.2.96	£5,000	7.30%A	Yly
MONTHLY INTEREST						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.30%B	Mly
Bradford & Bingley	Direct Notice	0345 248248	30 Day P	£10,000	6.65%	Mly
Coventry BS	Extra Interest	0203 252277	Instant	£25,000	6.85%B	Mly
B & W Asset	Monthly Income	0800 303330	90 Day	£25,000	7.07%	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£25	7.75%	Yly
Dudley BS		0384 231414	5 Year	£10	7.57%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	7.55%	Yly
West Bromwich BS		021 525 7070	5 Year	£150	7.50%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.60%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00%	Yly
				£10,000	6.25%	Yly
				£25,000	6.60%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	5.75%	Yly
Confederation Bank (Jrsy)	Flexible Inv	0534 608060	60 Day	£10,000	6.30%	½Yly
				£25,000	6.80%	½Yly
Derbyshire (IOM) Ltd	90 Day	0624 663432	90 Day	£50,000	7.30%	Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life FN		081 940 8343	1 Year	£2,000	4.30%	Yly
Prosperity Life FN		0800 521546	2 Year	£25,000	4.78%	Yly
Financial Assurance FN		081 367 6000	3 Year	£50,000	5.20%	Yly
Financial Assurance FN		081 367 6000	4 Year	£50,000	5.65%	Yly
Eurolife FN		071 454 0105	5 Year	£3,000	5.75%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
(w.e.f 29/1/94)	Investment A/C		1 Month	£20	5.25%G	Yly
	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%I	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00% +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM
	Pensioners GIB		5 Year	£500	7.00%F	Mly

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = Rate guaranteed not to drop below 6%. B = 10 days loss of interest on all withdrawals. Rate guaranteed to 28.2.94. G = 5.75 per cent on balances of £500 and over, 6.00 per cent on £25,000 plus. H = 6.75 per cent for balances of £25,000 and over. I = 6.40 per cent on balances of £20,000 and over. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.
Readers can obtain a complimentary copy by phoning 0692 500677.

FINANCE AND THE FAMILY

Pep bombardment

Investors will be bombarded with mailshots and advertising campaigns in the coming months, to tempt them into a personal equity plan before the tax year ends on April 5.

All income and gains made within a Pep are tax-free and this has made them enormously popular. Over £9.2bn has been invested in general Peps, which were first sold in 1987 and into which £6,000 a year can be invested.

Since 1992, an additional £3,000 can be put in a single-company Pep. There are more than 870 schemes to choose from, so investors do not lack for choice. Chase de Vere, which published its annual Pep guide this week, also includes performance figures for unit, investment trust and single company Peps.

The top performer among the unit and investment trusts over three years is Hill Samuel's UK Emerging Companies unit trusts with growth of 185 per cent (figures are offer-to-offer, so the initial charges are not taken into account, with gross income reinvested). The fund was launched in 1989 to invest in companies with a maximum market capitalisation of £50m.

Personal Assets, managed by Ivory & Sime and Law Debenture, both investment trusts, were next, growing by 179 per cent and 171 per cent respectively. The first invests in the UK and the US, while Law Debenture, which is managed by Henderson TR, has a broad international spread.

The remaining funds in the top 10, in decreasing order of performance, were St James' Place Pep Progressive unit trust, Henderson TR Electric & General IT, Glasgow Shires IT, Perpetual High Income unit trust, Fleming Fledgling IT, the ordinary shares of Finsbury Smaller Companies IT and Pembroke unit trust.

The Pep with the weakest performance was Equitable Special Situations which grew by 20 per cent over the period.

The Pep leaders of the FT-SE 100 companies over one year were British Aerospace (with growth of 283 per cent), Powergen, Granada Group, Royal Bank of Scotland, Standard Chartered, British Steel, Blue Circle, Great Universal Stores, RMC Group and Schroders.

Single company Peps are often used to transfer shares acquired under an employee share option schemes. Only one company's shares can be held at any time, but it is possible to switch between them.

■ *Pepguide, 12th edition, Chase de Vere Investments, 63 Lincoln's Inn Fields, London WC2A 3JX. £9.95 (incl p&p).*

Scheherazade Daneshkhu

Yes, you can defer CGT

Caroline Garnham is cheered by reinvestment relief on gains

Details of a way of deferring payment of capital gains tax, published in the Finance Bill last week, really are as good as expected.

The reinvestment relief for CGT operates to relieve all gains no matter how they are made, provided the gain is reinvested in the shares of an unquoted trading company, whether your own or a family company, or a company run by a complete stranger.

The relief may not appeal to everyone, since unquoted trading company shares are regarded as inherently risky. However, there are circumstances, particularly within entrepreneurial families, where this relief could be a way of postponing payment of the tax indefinitely.

To give you an idea of how it can be made to work, take for example Mr James:

■ Mr James sold his retail business five years ago. He reinvested part of the proceeds – £700,000 – in the freehold of a shopping centre which has since increased in value (after inflation) by £200,000.

His daughter, Jennifer, has a pre-packaged food business which she runs through an unquoted private company. The company needs additional finance to expand and Mr James is willing to assist, especially if he can sell his interest in the shopping centre and *avoid an immediate charge to* tax on the £200,000 gain.

Provided Mr James invests at least £200,000 (that is, the gain on the sale of the shopping centre) in ordinary unquoted shares of his daughter's company, his gain on the shopping centre can be deferred until the sale (or gift) of the shares in his daughter's company.

Let us further assume that since the sale of Mr James' retail business, he has been a full-time working director of his daughter's company. Let us also assume that he invests £250,000 in his daughter's company, which is 30 per cent of the ordinary share capital. His investment in Jennifer's company will now also start to qualify for retirement relief.

Assuming Mr James works full-time for the company for a further five years before selling his 30 per cent stake for £400,000, not only would the *gain of £150,000 attract 100* per cent relief, but in addition the £200,000 gain rolled over from the sale of the shopping centre would also attract retirement relief (on the first £100,000 at 100 per cent and the remaining £50,000 at 50 per cent at current retirement relief rates).

Alternatively, let us suppose that Mr James is in poor health and has not worked for the company. He would like to sell his shopping centre to help his daughter but is reluctant to do so for fear of incurring a high CGT charge which would be avoided if he kept the shopping centre until his death.

With this new relief, Mr James should be able to avoid not only the CGT charge, but inheritance tax as well.

If Mr James were to sell his shopping centre and reinvest £250,000 to take a 30 per cent stake in Jennifer's business, on his death all gains, including the rolling over gain on the shopping centre, will be exempt and the shares in Jennifer's company should qualify for business property relief and be totally exempt from IHT as well.

Mr James need not necessarily become involved in the decision-making process of Jennifer's company. It is possible for him to gift his shares in Jennifer's company into a trust for himself and appoint Jennifer as a Trustee. Jennifer will then remain in full control of the decisions affecting the company and, assuming Mr James can claim relief for gifts of business assets, putting the shares into a trust will not give rise to an immediate charge, neither will it affect his eligibility for full CGT relief and IHT relief on death.

The new reinvestment relief is not limited to sales. For example, if Mr James gave his freehold interest in the shopping centre to his son Paul, say, as a wedding gift, the tax on the gain (as calculated against market value) could still be avoided, provided Mr James invests a sum equivalent to the chargeable gain made on his shopping centre in unquoted private company shares such as in Jennifer's company.

Of course, as with all reliefs where the gain is deferred, if the company and shares do not qualify and continue to qualify then the tax becomes payable immediately.

As you would expect, there are a number of irritating conditions which must be satisfied *before the relief is available*. One of these is that if the company holds more than half of its chargeable assets in land, it will fail to qualify. There are provisions which permit the reduction of the value of land by securing debts against it.

Therefore, if your land is relatively too high in value, the company could raise money using the land as security. In addition, or alternatively, it could invest in chargeable assets and thereby reduce the company's interest in land to less than half. In addition, you must continue to monitor the chargeable assets of the company to make sure that over the years, the value of the land does not increase beyond the value of the company's other chargeable assets and thereby unqualify the company.

If this were to happen, all is not lost. Provided you invest more money (up to the value of the held-over gain) in other unquoted shares within the time limits, the held-over gain will not become chargeable.

The new reinvestment relief is a useful addition to the other reliefs already available. Unfortunately,there is little harmonisation between the reliefs. To qualify for the 100 per cent IHT business property relief you must hold 25 per cent or more of ordinary shares, whether they are quoted or unquoted: for retirement relief you need to hold at least 5 per cent of unquoted qualifying shares; and, for reinvestment relief, the relief is available no matter what your holding is, provided your shares are unquoted qualifying shares.

If you give business assets (and claim relief for gifts of business assets), you will not be liable for the tax but the person to whom you give the assets will be, although only when they dispose of them. However, if you sell assets and reinvest the proceeds in unquoted trading company shares (and claim reinvestment relief), you would still be liable for the tax on the gain but it will be deferred until you dispose of them.

Avoid do-it-yourself tax mitigation schemes because of the complexity created through the legislation.

■ *Caroline Garnham is a tax and trusts specialist at City solicitors Simmons & Simmons.*

Diary of a Private Investor / **Kevin Goldstein-Jackson**

A rival stock exchange

In a a 1950s TV western series *The Cisco Kid*, the Kid and his partner, Pancho, "fought for justice" in New Mexico.

Another Cisco is currently fighting for justice but this time for small companies in the UK. The City Group for Smaller Companies has chosen "Cisco" as its abbreviated name.

The group includes stockbrokers, venture capitalists, merchant bankers, and others who believe that a new exchange should be created to trade in the shares of small companies.

This new exchange could be run by the London Stock Exchange or by an independent organisation. Will there be a shoot-out in the City?

The London Stock Exchange has already announced its intention to close the Unlisted Securities Market "following an extensive review which concluded that the market's distinct identity had been eroded since 1990 by convergence in the regulations and cost of joining the Official List and the USM." It is investigating a possible replacement for the USM and has commissioned a market research survey, the results of which should be known in March.

Meanwhile, Cisco is looking into ways of organising and financing an independent, smaller companies exchange. It too, expects to produce its findings in March.

As a private investor, I would like to see a strong, independent rival to the London Stock Exchange. But I feels it would be a mistake to saddle it with a name such as "The Enterprise Market". This seems to be the choice adopted by both parties investigating the need for it.

To me, such a name implies that the market will be solely aimed at new enterprises carrying much more risk than other companies. It makes it seem like a junior market from which companies would feel they have to graduate to a full listing.

If the new market is used by private investors as very high risk – or, even worse, as a dumping ground for shares which institutional investors might otherwise have difficulty in getting rid of – then it will have no hope of emulating the US-based Nasdaq.

Founded in 1971 to cater for small companies, Nasdaq has rapidly grown to become the world's second largest stock market in terms of volumes traded. Companies such as Intel, Apple and Microsoft, which all started on Nasdaq, have not felt the need to "graduate" to Wall Street. Nasdaq is recognised as a fully-fledged exchange. Indeed, more overseas companies list their American Depository Receipts on Nasdaq than on any other US exchange.

When Nasdaq started, it was able to offer something different: fast and efficient electronic share dealing. A new exchange in the UK would not have such a unique selling point because the London Stock Exchange took advantage of Big Bang to follow Nasdaq's example.

What, then, could a new UK exchange offer to make it attractive to investors and ensure its financial viability?

It could charge much lower fees to companies seeking a stock market listing but it would still need to ensure that not too many crooks found their way in. It would have to organise a proper regulatory system.

A new exchange could have much longer trading hours than the London Stock Market. But one of the most attractive selling points could be in settlement systems.

With the traumas of Taurus and Crest and having to cope with all manner of vested interests, the London Stock Exchange suffers in ways which ought not to afflict a completely new exchange.

All companies quoted on the new market should use a depository system whereby a company – vetted and monitored by the Bank of England – would hold share and bond certificates on behalf of the beneficial owners. The shares would not be registered in "marking name" (nominees) but in the actual names of the investors concerned. Any investor who wanted a share certificate could get one printed out free by the depository company.

The new exchange (and the depository company) should offer much better compensation schemes than are currently available from existing organisations. This would demonstrate to investors that the new market was fully aware of its obligations to provide an honest and efficient service – since automatic compensation would be paid, not only for any losses due to fraud, but also as a result of any hiccups in the system – in much the same way as many utility companies now make payments if they fail to achieve certain specified time targets.

New legislation should be introduced to give the new exchange a kick-start. There are a number of companies which are reluctant to gain a full stock market quotation because of the tax situation of current shareholders. The same rules regarding inheritance tax relief and roll-over relief on unquoted and certain other companies should be extended to cover companies quoted on the new exchange.

It also seems unfair that a company with a limited track record can come to a market in a blaze of publicity and promote the offer price for its shares while a company that already has a market listing (and a good track record) is unable to advertise that its shares are a bargain at current prices. Companies quoted on the new exchange should be allowed, within reasonable restrictions, to promote their own shares.

The new market should also adopt a very high profile and engage in all manner of educational and promotional activities – from direct mail shots to TV advertisements to promote its activities and encourage people to invest in the companies traded on the exchange.

The new exchange might then not only improve the current lack of liquidity in the small companies sector but stand a reasonable chance of further expansion and giving investors the opportunity to benefit from the results of genuine competition.

Offerings for investors tempted by equities

***Scheherazade Daneshkhu and Bethan Hutton** look at trusts being launched to meet the demand for stocks*

The strong performance of the UK *stock market last* year and excitement at the prospect of high levels of growth in the Far East have led to a spate of new offerings from investment houses. With interest rates low, money has been piling into equities.

Schroder and Gartmore investment trusts (see right) have both packaged their new UK funds to appeal to the personal equity plan market in the run up to the end of the tax year. Both are UK funds, the first focusing on growth and the second on both income and growth. The other UK fund, Saracen, will invest in smaller companies, while Edinburgh Fund Managers and Martin *Currie are looking for growth* in the East. Newton's Distributor fund is an international fund aimed at those seeking income.

Two of the funds are unit trusts, the rest are investment trusts. For unit trusts, the launch period may be an attractive time to buy since discounts are usually on offer. Martin Currie, for example, will knock one percentage point off the initial charge for new buyers.

However, investors into an investment trust may be put off buying at the launch, because they pay full price for shares which often start trading at a discount. This is because of the costs of the issue. Many fund management groups try to compensate for this by issuing free warrants with parcels of shares.

A warrant gives you the right to buy shares in the trust or company on a future date at a fixed price, often the original offer price. As the warrant is usually exercised some way in the future, you would normally expect the share price to have moved well above its issue price by then, so the warrant gives you a very attractive buying opportunity.

Warrants can be sold separately from the shares, and their price rises as the share price moves upwards. The value of the warrant after a while should be enough to cancel out the discount on the ordinary shares.

For example, investors in the the Edinburgh New Tiger trust will receive one warrant for every five shares they buy. These warrants have a 15-year life, and the first exercise date is three or four years away. EFM hopes that the price of the warrants when they start trading could account for about 7p a share, compensating for a possible discount of 4p or so on the actual shares. The Saracen Value Trust and Schroder UK Growth Fund will also be issuing warrants on a one-for-five basis.

Split capital trusts aim to get around the same problem of the discount by dividing up the share capital to form parcels that are attractive to investors with particular needs, so that steady demand prevents the shares from falling to a discount.

For example, the new Gartmore trust is aiming its ordinary income shares at private *investors wanting income, and* using a Pep for tax shelter, while the zero dividend shares may appeal more to institutional investors.

It may not seem a good time to enter the UK stock market, which performed strongly towards the end of last year but Peter Sedgwick, chief executive of Schroder Investment Management, believes that there is still more to come. He says that the emphasis on income funds has left a gap in the market: "Now that yields on the UK market have fallen in anticipation of a recovery in profits, the emphasis is switching to growth stocks."

Edinburgh Fund Managers' New Tiger trust combines two of the popular investment areas of the last few months: emerging markets and smaller companies.

Although the fund will be invested in Asia, it will avoid the established markets of Hong Kong and Singapore; other markets such as South Korea and Taiwan may soon be excluded as too developed. New Tiger will be looking at the smaller markets, such as Malaysia, Indonesia and Thailand, and only using Hong Kong for its exposure to China, Vietnam, Laos etc.

South Asia is also on the menu – EFM has just bought a stake in an Indian fund management group, so more investment there can be expected.

The launch has been timed for funds to be invested immediately after the Chinese New Year in mid-February, a traditionally a quiet time for south-east Asian markets, with a chance of bargains to be had.

Newton

Name. Distributor Fund.
Aims. To achieve a total return of income and capital growth from a portfolio of UK and international equities and to allow investors to draw on capital to supplement income.
Yield. 3 per cent.
Minimum investment. £6,000
Charges. 6 per cent initial and 1.5 per cent annual.
Pepable? Yes, at no extra cost. Minimum Pep investment is £3,000.
Comment. The fund is aimed at income seekers who will be able to withdraw up to 9 per cent annually. The withdrawal levels are 3 per cent, 5 per cent, 7 per cent and 9 per cent. The income can *also be left to be reinvested.* The fund's aim is to replenish, in real terms, the capital withdrawn under the terms of the plan but, of course, cannot guarantee this.

Newton is well-known for its Income fund which currently yields about 3.2 per cent and is top of its sector over seven years and five years, and third over three years (to Jan 1, source: HSW).

The minimum investment and charges are relatively high.

See Serious Money, page II

Gartmore

Name. British Income & Growth Trust.
Aims. Investment in UK shares with a higher than average yield.
Terms. Ordinary income shares at 100p, zero dividend shares at 116p or packaged units combining the two. Prices may change before offer opens on February 15.
Yield. 9.3 per cent on the ordinary shares (in the form of income), 8 per cent on the zeros (in the form of capital growth), and 4.4 per cent on the packaged units.
Minimum investment. £1,000.
Charges. Issue expenses capped at 4 per cent; annual management fee 0.5 per cent, *except for Peps.*
Pepable? Yes, for an initial charge of 1 per cent, and annual management charge of 0.75 per cent.
Comment. This issue is timed so that investors can transfer shares into a Pep on either side of the tax year-end, using one or both years' allowances. But the yield on the trust is not over-generous: Gartmore's own Shared Equity trust is higher. The fund needs to grow at 5 per cent a year if the income shares are to be repaid with no loss of capital in 2002.

Saracen

Name. Saracen Value Trust.
Aims. To invest in smaller companies (from the FT-SE SmallCap index), with the aim of achieving long-term capital growth.
Yield. Similar to average smaller company yield.
Minimum investment. £1,000
Charges. Issue expenses capped at 3.5 per cent, with a 1 per cent annual management charge.
Terms. Ordinary shares at 100p, with one warrant attached to every five shares.
Offer opens: February 10.
Pepable? Yes, independently.
Comment. As Saracen Fund Managers is a new outfit, and this is their first trust, there *is no track record to check.* But James Fisher, the main manager of this fund, was previously a fund manager at Scottish Amicable, in charge of £1bn of funds, mostly invested in smaller companies. Smaller companies are a popular investment area at the current stage of the economic cycle. The Hoare Govett Smaller Companies index rose by about 39 per cent last year (more than the FT-SE), and if the recovery gathers pace, there should be more growth to come.

Schroder

Name. UK Growth
Aims. To achieve high capital growth through investing in UK equities.
Yield. In line with the FT-A All-Share.
Minimum investment. £1,000
Charges. The annual management charge will be 0.75 per cent; issue expenses capped at 4.5 per cent.
Terms. Shares are on offer at 100p, with warrants attached on a one-for-five basis.
Pepable? Yes, for an annual fee of 0.5 per cent on top of the 0.75 per cent annual management charge on the trust and an initial charge of 5.25 per cent. Minimum investment in the Pep is £3,000.
***Special terms.** The initial* Pep charge is waived during the launch period planned for February 9-March 2. Those investing solely in the Pep will receive free warrants during the launch.
Comment. Schroder already has a successful UK growth unit trust and the investment trusts will be managed by the same team. The UK Enterprise trust, launched in 1988, is second in its sector in the five years to January 1 and fourth in the three years to January 1, according to Micropal.

EFM

Name. Edinburgh New Tiger.
Aims. Long term capital growth by investing in quoted smaller companies in emerging Asian countries.
Yield. Zero.
Minimum investment. £1,000 (monthly savings scheme to be launched later).
Charges. Issue expenses capped at 4 per cent. Annual management fee 1.2 per cent.
Terms. Ordinary shares offered at 50p, with one free warrant attached to every five shares.
Offer period January 29 to February 18.
Pepable? No.
Comment. This trust's target area – which includes India and China – is home to more *than half the world's* population, and is developing rapidly. Its economies are growing at an average of more than 6 per cent a year. Smaller companies have so far escaped the close attention of international investors, so their shares are not yet overvalued. These are volatile markets, and the ride could be very rough at times, but investors taking a long-term view should be rewarded. The same team is already responsible for the successful EFM Dragon trust.

Martin Currie

Name. Asian Opportunities.
Aims. To achieve capital growth through investment in Asian markets (excluding Japan and Australasia).
Minimum investment. £1,000
Charges. 6 per cent initial; 1.25 annual management fee.
Special terms. Initial charge reduced to 5 per cent during the launch period scheduled for February 14-25.
Pepable? Yes, at no extra cost but only qualifies for a maximum Pep investment of £1,500, since more than 50 per cent of the investment is outside the EC.
Comment. Martin Currie says the fund will complete its Far East range which comprise *a Japan fund and a Far East* including Japan fund. It launched an offshore Indian Opportunities fund last year and has an Emerging Markets fund. Its International Growth fund has a good track record and came second in its sector in the 10 years to January 1, according to HSW.

The markets of Asia are volatile but Martin Currie hopes that since the new fund will have a broad spread of investments from China to the Middle East, risk will be lessened.

CGT allowances

The table shows capital gains tax indexation allowances for assets sold in December. Multiply the original cost of the asset by the figure for the month in which you bought it. Subtract the result from the proceeds of your sale, and the balance will be your taxable gain or loss*.

Suppose that you bought shares for £6,000 in September 1985 and sold them in December 1993 for £13,000. Multiplying the original cost by the September 1985 figure of 1.487 gives a total of £8,922.

Subtracting that from £13,000 gives a capital gain of £4,078, which is within the 1993-94 CGT allowance of £5,800. If selling shares bought before April 6 1982, you should use the March 1982 figure. The Retail Price Index in December was 141.9.

*For shares sold on or after November 30 1993, it is no longer possible to use indexation to create, or to increase, a loss.

CGT INDEXATION ALLOWANCES: December

Month	1982	1983	1984	1985	1986	1987
January	-	1.718	1.634	1.556	1.474	1.419
February	-	1.710	1.627	1.543	1.469	1.413
March	1.786	1.707	1.622	1.529	1.467	1.411
April	1.751	1.684	1.601	1.497	1.453	1.394
May	1.738	1.677	1.595	1.490	1.450	1.393
June	1.734	1.673	1.591	1.487	1.451	1.393
July	1.733	1.664	1.593	1.490	1.455	1.394
August	1.733	1.656	1.578	1.486	1.451	1.390
September	1.734	1.649	1.575	1.487	1.444	1.386
October	1.725	1.643	1.565	1.484	1.441	1.379
November	1.717	1.637	1.560	1.479	1.429	1.372
December	1.720	1.633	1.561	1.477	1.424	1.374
Month	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**
January	1.374	1.278	1.187	1.090	1.046	1.029
February	1.368	1.269	1.181	1.084	1.041	1.022
March	1.363	1.264	1.169	1.080	1.038	1.019
April	1.341	1.241	1.134	1.066	1.022	1.009
May	1.336	1.234	1.124	1.063	1.019	1.006
June	1.331	1.230	1.120	1.058	1.019	1.006
July	1.330	1.229	1.119	1.061	1.022	1.009
August	1.315	1.225	1.108	1.058	1.022	1.004
September	1.309	1.217	1.097	1.054	1.018	1.000
October	1.296	1.208	1.069	1.050	1.014	1.001
November	1.290	1.197	1.092	1.046	1.016	1.002
December	1.286	1.194	1.092	1.046	1.019	

Source: Inland Revenue

MINDING YOUR OWN BUSINESS

Jim Keeling displays a basket flowerpot and oval basket at his pottery at Whichford: 'I am keen to uphold the best manual working traditions'

Trevor Humphries

Number one flowerpot man

Concentrating exclusively on up-market terracotta has taken Jim Keeling from a 'dogsbodyship', to selling pots worth up to £750,000 a year. ***Clive Fewins*** *visits him*

Jim Keeling is Britain's number one flowerpot man. He has achieved this remarkable position and a tenfold increase in turnover in the last decade by developing an old-fashioned cottage industry.

In 1985, in an interview with the *Financial Times*, Keeling explained why he did not intend to employ a sales staff nor to buy automated equipment to beat off foreign competition. Far from being a business plan for extinction, this strategy has enabled him to grow from an annual turnover of £75,000 in 1985 to £750,000 and to hold on to his gains through the recession.

Keeling, the founder of Whichford pottery, is about the opposite of the popular idea of a successful businessman. He is thoughtful and restrained – a Catholic convert, who is greatly concerned that we should all be able to realise our own "inner journey".

He is, however, undeniably Britain's leading maker of flower pots: he has written two books on terracotta gardening. His output ranges from the small terracotta flowerpots that graced every potting shed before the age of plastics, to giant baroque urns adorned with decorative fruits and acanthus leaves that cost up to £1,300 each.

In between comes a range of wallpots, Italianate jars, exotic ewers, pastry pots, barrel-style pots, ornate troughs, animal figured pots, wallpots, rhubarb forcers, strawberry barrels and a host of others.

They are all hand-thrown, and made from a blend of local clays mixed and refined at the pottery.

It all started almost by accident. Shortly before going to Cambridge 22 years ago Keeling spent a summer reconstructing ceramics on an archaeological dig in the Middle East. Then he gained what he calls a "dogsbodyship" at a small pottery near Farnham in Surrey.

Keeling recalled: "The buildings were falling down and I had no proper wage. But I learned to throw and I specialised in plant pots from the word go. I was taught to be very economical with materials and effort – that is how to do it properly. Fortunately I have been able to pass on this throwing tradition to nine others.

"The experience only lasted six months but it was a vital time. On my best day I managed to throw 720 pots."

In 1974 Keeling and his wife Dominique moved to Middle Barton in Oxfordshire, where they bought a cottage for £15,000 with the help of a £12,000 legacy and a small mortgage. Keeling then turned a nearby barn he rented into a pottery. He financed this with a £5,000 bank loan guaranteed by his father. He built a kiln from scrap metal and spares and made little money out of potting for the first two years.

After three years the pottery was turning over £25,000, employing a sales agent and training the first of several local young men, one of whom is still with him, to be potters.

"I was working desperately hard, teaching myself to throw up to 60 15-inch pots a day," Keeling said.

He realised that if he could guarantee quality and continue to sell his pots there was money in terracotta.

By the time the couple left Middle Barton in 1972 they had a turnover of £36,000 (of which nearly 30 per cent was profit) a staff of three, and a catalogue with 45 styles of pot.

Keeling took out a £30,000 mortgage to finance the move to a second dilapidated cottage, eight miles away in Whichford, in the Warwickshire Cotswolds.

There he resolved to stay with terracotta. "I was fascinated by the basic flower pot shape and was keen to produce as many variations as possible. I also knew that by using terracotta I could make bigger profits than other potters," he said.

Three months later he was wondering if he had made the right move: "I was desperate to sell pots. The business was not known in its new surroundings and I had a running battle with the planners over signs. I needed to sell a lot more pots to finance expansion, yet found it increasingly difficult to persuade the trade to buy from a small English producer."

A friend suggested an exhibition in a warehouse in east London that was available for weekend lets. Thanks to some national press coverage the venture took £5,000 in the first three hours. The pottery's entire stock went in two days.

"I was getting the full retail price by selling direct. The experience opened my eyes and showed me the way forward was by direct selling," Keeling said. "It also convinced me that there was a big future if I could increase production."

He took out a £40,000, 10-year loan from Lloyds bank, and set about building a £33,000 pottery. He expanded his range and made strenuous efforts to attract the attention of professional gardeners.

He steered away from garden centres and stores selling cheap imported terracotta pots and pursued an unashamedly up-market policy.

"At Whichford I am keen to uphold the best manual working traditions," Keeling said. "Here we have taken a good look at our hand-thrown tradition, decided what works, and added to and improved on that. In his 11 years at Whichford, Keeling has increasingly relied on advertising and today more than half his sales are direct. Gardeners beat a path to the pottery and he has expanded regional sales at country homes and nurseries. Twenty per cent of his output is exported, about 20 per cent is sold to garden centres, and the rest is sold by mail order.

Whichford Pottery holds a sale and "open house" in the three weeks before Christmas during which it disposes of a large number of seconds. This helps to fill the gap at the time of year when production tends to fall below the target of 1,000 pots a week.

"By and large we produce things we enjoy making. We also do a lot of one-offs and adapt designs for grand gardens and the stately homes trade," Keeling said.

Turnover is likely to be down from the anticipated £750,000 this year as Keeling has been developing new ideas and doing little throwing himself.

He is optimistic, however, that the company will show the £100,000 profit he likes to see at the end of each year.

He still owes £12,000 to the bank but, is in a good position to expand if he chooses.

■ *Whichford Pottery, Whichford, Shipston-on-Stour, Warwickshire CV36 5PG. 0608-84416*

Computing/**David Carter**

Put yourself in the picture

Several times over the last year or two a customer has put a page from a PC magazine under my nose and asked: "Why can't I have pictures like that on my computer?"

The advertisement in question usually shows a screen from a personnel records database, and among all the lines of text describing the employee's address, national insurance number, salary and so on, there is a picture of the employee – usually a sultry brunette.

Not only are managers interested in storing pictures of their staff on computer, especially sultry brunettes, but if they could hold pictures of their products that might be even more useful. An instantly-available picture on a computer screen could be invaluable for a salesman demonstrating a range of products, for an order clerk taking a customer order, or for anyone needing just to check what the product looks like.

Pictures on a computer system mean graphics – and graphics mean *Windows 3.1*. Unfortunately, apart from a few cheap systems at the bottom end of the market, nobody writes stock control packages under *Windows*. They write them under fast, secure environments such as DOS and Unix, which do not lend themselves to graphics.

Technical problems have made the idea impractical. Graphics files are enormous, with a single picture occupying several hundred kilobytes of disk. It would take an age to load the picture from disk into memory. And moving files of this size from one PC to another would bring your whole network grinding to a halt.

Recently I have seen a product which solves these problems – DOSview. This provides excellent quality pictures and works with your existing stock program written under Dos, Unix, Novell or whatever. There is no need to reprogram the existing stock system, which continues to work just as before. You simply run DOSview alongside it.

DOSview has been developed by Thinkware/JSS, a jewellery manufacturer and distributor which is now marketing it.

Using DOSView you first take a photograph of the product and store the image on file. Thinkware use either a video camera or a scanner directly linked to the computer. The operator slides the piece of jewellery under the video camera, which then photographs it, transmits it to the computer and stores it as a 300k standard graphics (Tiff) file. DOSview then automatically compresses the Tiff file, reducing it from 300k to 8k, with only a marginal loss of picture quality.

So DOSview has solved the first problem. It enables you to build up a database of pictures, each of which is a manageable size.

Displaying the picture is simplicity itself. Suppose you are running your stock control package and want to see a picture of stock item number 123456. Simply highlight the number 123456 and press an F key. DOSview looks through its database, and displays a picture of item 123456 in a window on the screen. You can zoom to display the picture over the full screen. You can show pictures of several items at once and even in full-screen mode the quality is good.

DOSview runs under *Windows*. It links to your existing stock package by saving the number 123456 to the *Windows* clipboard as a graphics image, and comparing this image with the list of part numbers in its own database of pictures. No other link is required.

The beauty of this approach is that it bypasses a host of technical problems: no need to interface with proprietary file formats, the curse of accounting software; and no problems integrating *Windows*-based graphics with other text-oriented operating systems.

I spoke to two users of DOSview. Both were enthusiastic. One runs a 15-user Unix system. He said DOSview had taken half a day to install and has worked perfectly since. The other had teething troubles but said this was partly because he had bought some of the equipment himself. DOSview is an assembly of equipment made by different manufacturers. A start-up package of a software, video camera, a beefy 486/66mhz 200mb PC to run the graphics and interface cards costs about £5,000. If you buy all the parts from Thinkware it takes responsibility if anything goes wrong.

Several software suppliers have expressed an interest in DOSview. First off the blocks is SBS, whose *Exchequer* accounts package I have praised before (tel: 0202-298008). They will offer a DOSview link in their new order processing package due out in February.

Other potential users are companies that have a stock or personnel system and want to upgrade it to store images. To date, the only options available have been time-consuming, complicated and expensive. Thinkware has provided a pioneering product which is cheap, ingenious, elegant – and works.

■ *Thinkware/JSS Tel: 081-209-1166. Fax: 081-209-0100*

Investing while abroad

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

I plan to go to Singapore for two years to work full-time. I intend to return to the UK at the end of the contract.

I wish to leave my building society deposits and equity investments in the UK, except that I will ask for the interest on the former to be paid gross. I do not plan the income from these investments to be remitted to Singapore so that (as I understand) this income is not taxable there.

1) How will the tax on the interest income be calculated for the three years?

2) Shall I be able to reclaim the tax credit on the dividend income received during these years? If so, at what rate?

3) Is CGT payable on disposals of my present investments if they are made during my absence abroad but before April 5, 1996?

4) Am I eligible to make PEP investment in full for the tax years of my departure and return?

5) Would my non-resident status and/or my liability for tax on foreign and UK income be affected if I retain the directorship of a UK company?

■ 1) The interest will be fully taxable in the UK, subject to your personal allowance. It is doubtful whether you will be able to arrange for it to be paid without deduction of tax; if you do, your tax credit payments for 1995-96 will be restricted accordingly, as explained in concession B13 in the free booklet of extrastatutory concessions, IR1.

If the interest is subject to tax in Singapore, the rate of UK tax for the period of your residence in Singapore may be limited to 15 per cent, by virtue of article 7A of the Singapore-UK double taxation agreement (as amended in 1977).

2) To the extent that your personal allowance for 1995-96 exceeds your UK interest, you will be entitled to tax credit payments at 20 per cent (on the aggregate of the relevant dividends and their tax credits). If the dividends are subject to Singapore tax, you may be entitled to tax credit payments at a minimum rate of 5 per cent (on the aggregate) for the period of your residence in Singapore.

3) It is possible that you will be exempt from CGT in respect of sale contracts made in 1995-96, either because you will be regarded as neither resident nor ordinarily resident in the UK for that year, or by virtue of article 9 of the double taxation agreement; "A resident of one of the Contracting States who does not carry on business in the other Contracting State through a permanent establishment situated therein shall be exempt in that other Contracting State from any tax on gains from the sale, transfer or exchange of capital assets." However, you have not given us enough precise data for a firm opinion, so you should seek local professional guidance if the amounts of tax are large enough to justify the expense.

4) Yes. Ask your tax office for pamphlet IR89 (personal equity plans).

5) Unless you remained outside the UK for the whole of 1995-96, you would probably be regarded as resident and ordinarily resident in the UK for that year, as well as for the years either side of it. Everything would then depend upon the dual-residents' tiebreaking article: 2(1)(g)(ii).

You should find the text of the Singapore-UK double taxation agreement (as amended) in volume 2 of the British International Tax Agreements, volume 6 of the British Tax Encyclopedia, Butterworths Tax Treaties, or volume F of Simon's Taxes.

A home or a tax liability?

My parents are both over 80. They have little income: a pension and interest from a £35,000 fixed deposit with a building society. Their only substantial asset is a four bedroomed house in London worth about £300,000.

They have made a will in which each leaves everything to the other and ultimately to me as their only child. Is this the most efficient method of minimising inheritance tax?

■ Assuming that all assets are left to the surviving spouse, then on the death of that person, inheritance tax of £74,000 will be payable as the first £150,000 would be covered by the nil rate band and the balance would be subject to tax at 40 per cent.

We assume that the building society deposit should remain in the estate of the surviving spouse to provide income. For inheritance tax purposes, the most efficient approach would be to own the house as tenants-in-common and for a half share of the house to be left in trust for the children with the surviving spouse retaining the other half. This would utilise the nil rate band on the first death, thereby saving £60,000 of inheritance tax and reducing the tax charge on the second death to £14,000.

While this would be tax-efficient, the surviving spouse may not feel secure. The children could, in theory, force a sale of the home. A trust can be used to improve the position but there can be no greater financial security than owning the property in your own right.

This reply was provided by Barry Stillerman of Stoy Hayward.

A traveller's tax allowance

My daughter is spending a year travelling and plans to return on April 9, 1994. Her only income is from renting out her flat, and a small amount of dividend income and building society interest.

Does she qualify for her personal allowance to set against her income in 1993/4? Would it make any difference if she returned before April 5, 1994?

■ Every Commonwealth citizen is entitled to a personal allowance, regardless of whether they are resident in the UK, by virtue of section 278(2) of the Income and Corporation Taxes Act 1988, as amended. You may like to ask your tax office for the pamphlets IR20 (Residents and non-residents: liability to tax in the UK) and IR87 (Rooms to let: income from letting property).

Even if your daughter is not a Commonwealth citizen, she may still be entitled to a personal allowance for 1993-94 on some other grounds.

As They Say in Europe / **James Morgan**

More sex please, we're British

Today, all being well, I shall hear what the Germans and the British think of each other. Top journalists from each side will tell me about "British-German National Stereotypes and the Media" at the Goethe Institute in London.

This to stop the British depicting the Germans as ranting madmen in leather coats or potbellied drunks in leather shorts.

But I dread it. As a patriot I think of the Island Race as honest, upstanding, decent and so on. But recent events have only confirmed the German impression that we are, in the words of Reiner Gatermann, London correspondent of *Die Welt*, "obsessed with sex".

The Anglo-Saxon concern with other people's sex lives remains of some, but dwindling, interest to most of our neighbours. The British are for their part fascinated by the different attitudes in France, where a law on privacy reinforces the national preference for ignorance about what happens behind others' bedroom doors.

Few take much interest in Germany either, where attitudes are just as easy-going. Many years ago the papers there reported that a politician was robbed in a park; they did not mention that he was with a prostitute at the time even though the fact was common knowledge.

The one occasion when the ban seemed to be lifted was in the case of the skater Katarina Witt, but that was because of her alleged involvement with the East German regime – and the note in the daily record kept by the *Stasi* (secret police) read: "Sexual intercourse: 8 minutes."

German journalists can reel off a list of public figures and name their mistresses. Yet the British stereotype of the Germans excludes relaxed, irregular relationships; I had always assumed a German mistress would have to be registered at a local Liaisons Registration Office, or *Städtischeverhältnismeldeamt*. But this is not so.

The only expert on German sexual attitudes I have come across is Anne McElvoy of *The Times*, now in Moscow. She originally made her name writing from Berlin.

In another publication some time ago she recounted her experiences at the hands of German men who sought a a deeper relationship with her. As I have never been an attractive young woman and, anyway, have led a life of invincible chastity, I am unable to vouch for the accuracy of her observations, but they ring true.

They can be confirmed by those monumentally anaphrodisiac films on late-night German television which consist of what one might call Tyrolean erotica. It is evident that the notorious streak of romanticism in the German soul does not extend to transactions between the sexes.

If German attitudes resemble the French, their basis is entirely different. Mary leaders of the Third Reich demonstrated that a seamlessly respectable domestic life did not preclude revolting excesses elsewhere.

This provides the other side of a coin familiar to readers of this paper: a colourful and varied emotional life does not preclude political integrity. The French don't even make that connection: for them the acquisition of a mistress is a reward of success which not only marks out the man, but gives the woman a useful leg up the ladder of life.

In Germany, attitudes are based on the view "boys will be boys". The Germans ally their preparedness to accept the inevitable with a tolerance of self-indulgence unknown in Anglo-Saxon puritanism. "Illicit" sex is a safety valve.

Maybe writing about sex is the British safety valve. Certainly I am sometimes surprised by the concerns of many of my colleagues – and then think that they must have much more fun than I do in pursuing their professional interests.

As the man from *The Sun* said to me: "It's more interesting than the Belgian budget." Perhaps I too suffer from the real *vice anglais*, prurient voyeurism.

In his recent reporting of the British scene, *Die Welt's* Gatermann has been most struck by the scale of the investigative resources deployed in reporting MPs' sex lives. It was inspired by the apparent contrast between what government ministers were preaching and what they were practising.

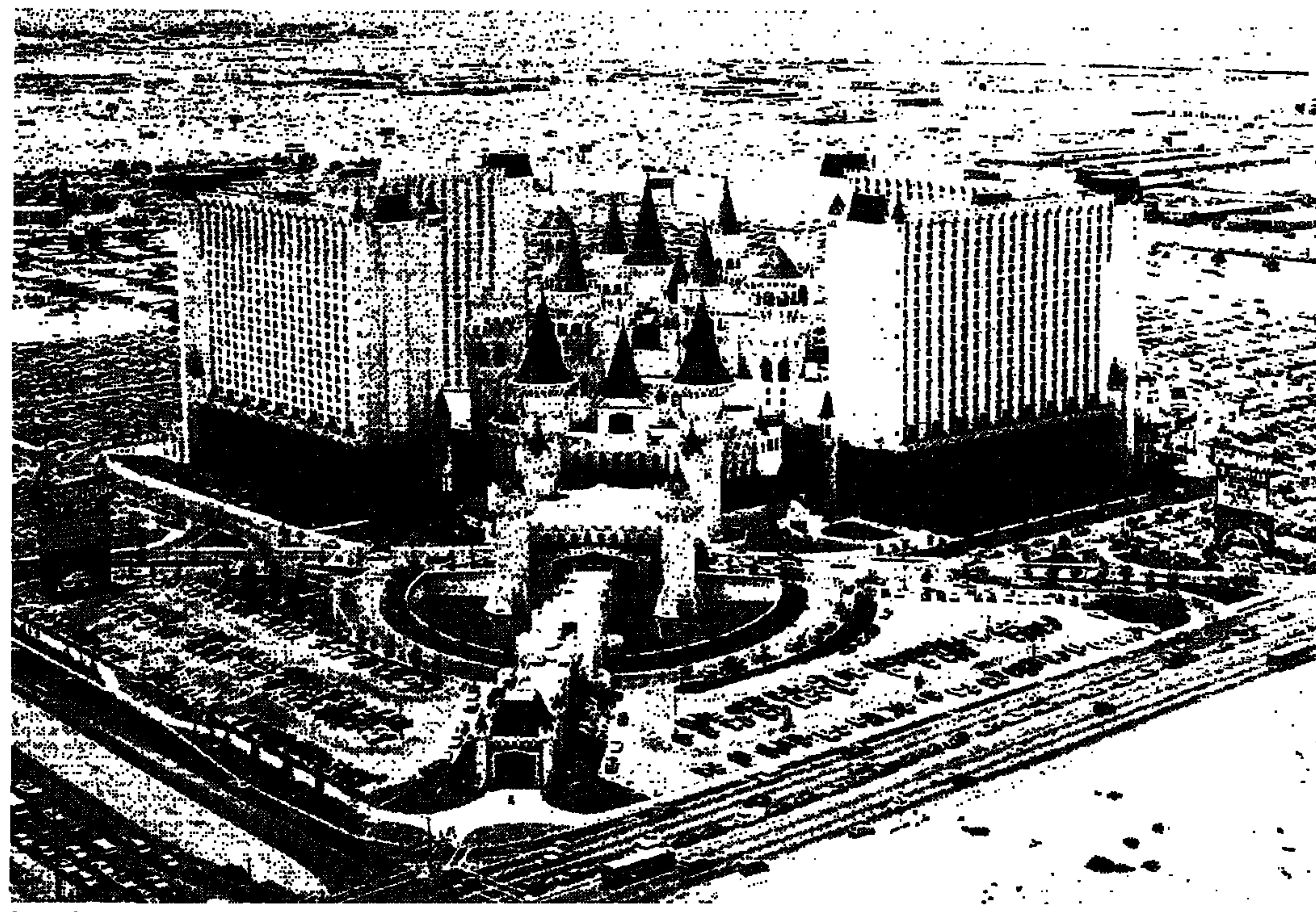
"I would not like to dig into the private lives of people who are so sanctimonious," Gatermann told me. He meant the lives of the journalists, not the politicians.

Today's Goethe Institute seminar is designed to tackle the "negative aspects" of stereotypes like, presumably, "the British are obsessed by sex." But what if they are founded on fact?

■ *James Morgan is economics correspondent of the BBC World Service*

Poker with the plastic pirates

***David Spanier** meets the men gambling on turning Las Vegas into Disneyland with slot machines*



Camelot in a parking lot: the Excalibur theme casino rises between the Nevada desert and the Las Vegas strip

While Eurodisney is hurting badly and America remains in semi-recession, theme parks are booming on Las Vegas Boulevard, making Nevada's pleasuredome bigger, more vibrant, more vulgar and more lucrative than ever.

Last month Kirk Kerkorian's MGM Grand, the world's largest hotel-casino cum theme park – 5,005 rooms and 170,000 sq ft of gaming space – opened in Las Vegas.

Kerkorian's project is so big that it is hard to comprehend. In London, the site would cover an area from Cambridge Circus in the north to Downing Street in the south, and from St James's Square in the west to the northern end of Waterloo Bridge in the east. Yet, it is merely the latest in a series of new theme-park casinos.

Last month the Luxor hotel-casino, a shiny black pyramid, opened. There, guests "tour" an indoor river Nile by barge to view the kitsch-Egyptian interior. The light shining out from the top is claimed to be the most powerful in the world.

A week after the Luxor's inauguration, the night sky was lit by the spectacular destruction of the Dunes, one of the outdated, old-style casinos which was blown up to celebrate the opening of Treasure Island.

This massive block stands next to the Mirage, built four years ago by flamboyant entrepreneur Steve Wynn as first of the new theme-park properties designed to set a trend of family-orientated entertainment.

In front of Treasure Island, a pirate ship and Sir Francis Drake's *Hispaniola* face each other across the entrance to the casino, sails billowing, crews aloft, pennants flying. Every half-hour, their cannons flash and roar until one of the galleons, holed amidships, keels over and slips under the water. The pirates always win.

Even in a town of gleaming synthetic wonders, however, the vast, blue-green MGM Grand is something else. First, it is expensive: it cost $1bn. Second, it is a challenge to the long-established and world-famous Disneyland, not far away in southern California. Third, the very name MGM (and its famous lion) tap into one of America's deepest cultural veins – the magic of movies. The lion forms the 88ft-high gateway to the casino, opening on to the famous yellow brick road which leads up to the emerald city of Oz.

The MGM Grand took only two years to build from start to finish: surprising, since the casino area alone – to which people (mothers and fathers minus children) are intended to gravitate after the theme park – is so big that it is divided into four areas: the Emerald City, Monte Carlo, Hollywood, and Sports.

Close by the MGM are two other new properties, the Luxor pyramid and the Excalibur, 28 stories high and built on a medieval theme of jousting knights.

Opposite is the Tropicana, a comparative pigmy of a casino-hotel with only 2,000 rooms, fronted by brooding Easter Island statues. Walkways over the city's neon-lit Strip will link these casinos and help to reduce the traffic.

Kerkorian, who is in his mid-70s, remains full of vim. He jogs and plays tennis in between buying and selling companies.

He has spent a lifetime wheeling and dealing in casinos and airlines and much else besides, yet has managed to remain a private figure. He describes himself as "just a country boy who got lucky."

The question remains: why should a man of his age, already a millionaire many times over, devote so much time, energy and money to building something like the MGM Grand?

Kerkorian wanted to create the biggest and the most glittering casino the world had seen.

He had done it before with the International (sold to the Hilton hotel chain) and the first MGM (bought by Bally, the casino, hotel and health club operator). But he likes the razzmatazz of casinos and wanted, yet again, to go one better than anyone else.

"I can't see anything detracting from Las Vegas for many lifetimes," he says.

MGM's president is Larry Woolf, a quiet, laconic, witty man who started as an assistant waiter in a restaurant. As chief executive officer, his task was to pull together a variety of talents from different areas of the casino business, and weld them into a team.

Woolf has no doubts that his boss has got it right: "Kerkorian is a man who stays above all the noise. He has wonderful judgment of what a business is worth. Whether it's an airline or an automobile company or a casino, he knows exactly the right price to buy or sell."

The test of the MGM will be the theme park: if it attracts the public, the gaming revenues will follow. Woolf says: "We are going to give people everything they want – and then some."

Las Vegas continues to break records. In 1993 it drew about 22m visitors, close to the total for all of Britain. Even in recessions, growth goes on, if at a slower rate. Will that change? "No," says Bob Maxey, who led the planning team at the MGM. "The market is so deep, you can't even plumb its depths."

Yet, gambling on its own is not enough as Atlantic City, on the east coast in New Jersey, has discovered – to its cost. The public is not so gullible: most players understand that they will lose. The difference is that a visit to Las Vegas includes excitement and entertainment.

The new theme-park casinos cater for family holidays. The razzle-dazzle mix of themes – cowboy, circus, medieval, South Seas, Roman, oriental, movies, space age – might seem garish, outrageous and artificial. But it crackles with fun and energy.

Gambling remains the most important source of revenue in Las Vegas. However, the days when the state of Nevada had a near-monopoly on legal gambling are over. The moral stigma attached to gambling, especially in the conservative mid-west and south, has faded. Gambling has been legalised in many places.

Lotteries - many for huge prizes – operate in 37 states and there is casino gambling in 15 if riverboats and Indian reservations are included.

There are plans to make gambling legal in New Orleans, Kansas City and St Louis. Beyond this, there is pari-mutuel (Tote) betting in many places on horses, dogs and jai alai (a version of Basque pelota). In total, gaming industries in the US had gross revenues in 1991 of about $26bn, or 0.6 per cent of the country's disposable income.

But the intense competition means that many of the gambling towns, resorts and casinos will not survive. In Las Vegas itself, many of the older properties have gone bust, overtaken by the mega-resorts. Kerkorian is betting $1bn that the MGM Grand (slogan: "Watch Us Roar in '91") will become a beacon by which all other attractions measure their success.

Even so, it will have to fight to get the lion's share.

The peasants' way of life

Continued from Page I

Louis an energetic peasant-farmer, he was also a staunch anti-cleric and socialist council member for Apt. Succeeding generations followed suit. Robert, son of Louis, fought with a left-wing Resistance organisation during the second world war. As teenagers in the turbulent 1960s and '70s, four of Robert's six children joined the French communist youth movement.

Robert and I took a stroll around the 20 hillside hectares of cherry trees, table-grape and wine vineyards, and marrow and melon fields that he began laying out after the war with draught animals. They are now owned by Rolland, Robert's son.

"When, like Aimè, I was finally able to change my horses for a tractor," Robert mused, "I thought: 'At last! Life is going to get better.' But it didn't. We had to work all that much harder to pay for the tractors and stay competitive with everyone else who bought tractors. The progress was technological, not social. It wasn't real progress at all. But not even technological logic applies any more. Through the '60s and '70s, the harder you worked, the more you produced and the greater was your return. It doesn't work like that now."

We trudged up the soggy winter hillside, mud sticking to our shoes. "Life has been getting increasingly difficult for 10 years," Robert went on. "Every year, production costs rise: insurance, farm machinery, fertilisers, insecticides, packaging, transport, cold-storage charges. But, in the same decade, the prices we have been getting for our produce have stayed the same, or fallen. In mathematical terms, it is simple – we can no longer make a profit from what we do. Our concern now is just surviving."

Could things be that bad? Talk to Rolland, Robert urged me. We found him, thin and wiry, pruning in a vineyard. In the summer season, he is on his feet and running from 4am until 10 at night. Now, in a slower season, he had time to talk.

After Rolland took over the farm from his father in 1980, he worked it with his wife, Josianne. They could not afford hired help because of high social security contributions. In spite of the saving, they made little headway: in the mid-1980s, each earned FFr5,000 (a little more than £500) a month – just enough to re-invest in the farm to keep it going.

Four years ago, things got so bad that Josianne had to take a job in town to assure the family a viable income. Rolland created a farming partnership with his cousin, Daniel, and they began working the two farms together. Last year, each made FFr5,000 a month, the same sum that Rolland earned a decade ago. They can no longer afford new investment.

Rolland was something of a hot-head in his youth. As a Marxist militant, he used to take part in roadside ambushes of highway tankers carrying cheap Spanish wine. Emptying them was a way of protecting the French market. Today, like all the Chauvins, he has forsaken leftist politics – they have failed entirely to answer the needs of the *paysan*.

Nor does he believe any longer that markets can be protected by crude means. He knows the problem of falling local prices is a complex one with worldwide causes: cheap agricultural imports from third world countries with low wage and social security costs have made his own produce uncompetitive.

Raising trade barriers is not the answer for Rolland: in the end, he believes, only global commerce will solve global imbalance. Nor are EU subsidies an answer. At his level of farming, he said, they make up only the shortfall between producer cost and market price. Breaking even does not allow a centime of new investment; inevitably, farms become run down and go broke. Already, Rolland knows of seven farmers in the area who have given up and are doing garden maintenance for foreigners with holiday homes there.

Rolland cannot bear the idea of leaving farming for another job. It is the only thing he has ever wanted to do, and he believes Provençal small farmers might eventually succeed in a market not of quantity but of high quality. In the meantime, he says, something must change. It cannot go on.

Robert, though, is not quite sure what changes are possible. "I cannot see the solutions to peasant decline and the frustrations that come with it. Economically, I am not sure there are any."

His real worry is over the political fallout; his years in the Resistance have given him an uncomfortable perspective. "Every day, we live in greater uncertainty. I have seen it before. It is an atmosphere that breeds a certain mentality – I am afraid of a resurgence of what I fought against in the war. I thought I would never have to think of fascism again."

Passion for the land at Les Jeans-Jeans

I left Le Marronier feeling low, but three minutes further down the road, I cheered up. Les Jeans-Jeans is another tiny hamlet filled with the offspring of yet another of Jean Chauvin's sons, Gaston. I arrived in time for lunch.

The Chauvins of Les Jeans-Jeans are a gregarious lot, with a generous sense of hospitality and a great appetite for good things to eat and drink. They have had their share of human tragedies and farming disasters, which could be why they find such comfort in sociability. One does not stay a stranger there for very long.

When Gerard Chauvin, a vast man with a great, biblical beard, talks about the land, he shows as much enthusiasm for life as his great-grandfather, Jean, ever did. Unlike his cousins, Rolland and Daniel, he keeps a herd of 50 goats. He is concerned about increasing regulation of his life by Brussels. He has nightmares about EU bans on unpasteurised cheese, which would wipe him out. But, for the time being, there is a good market for high-quality French goat cheese, and it allows Gerard to pursue the only life he cares about.

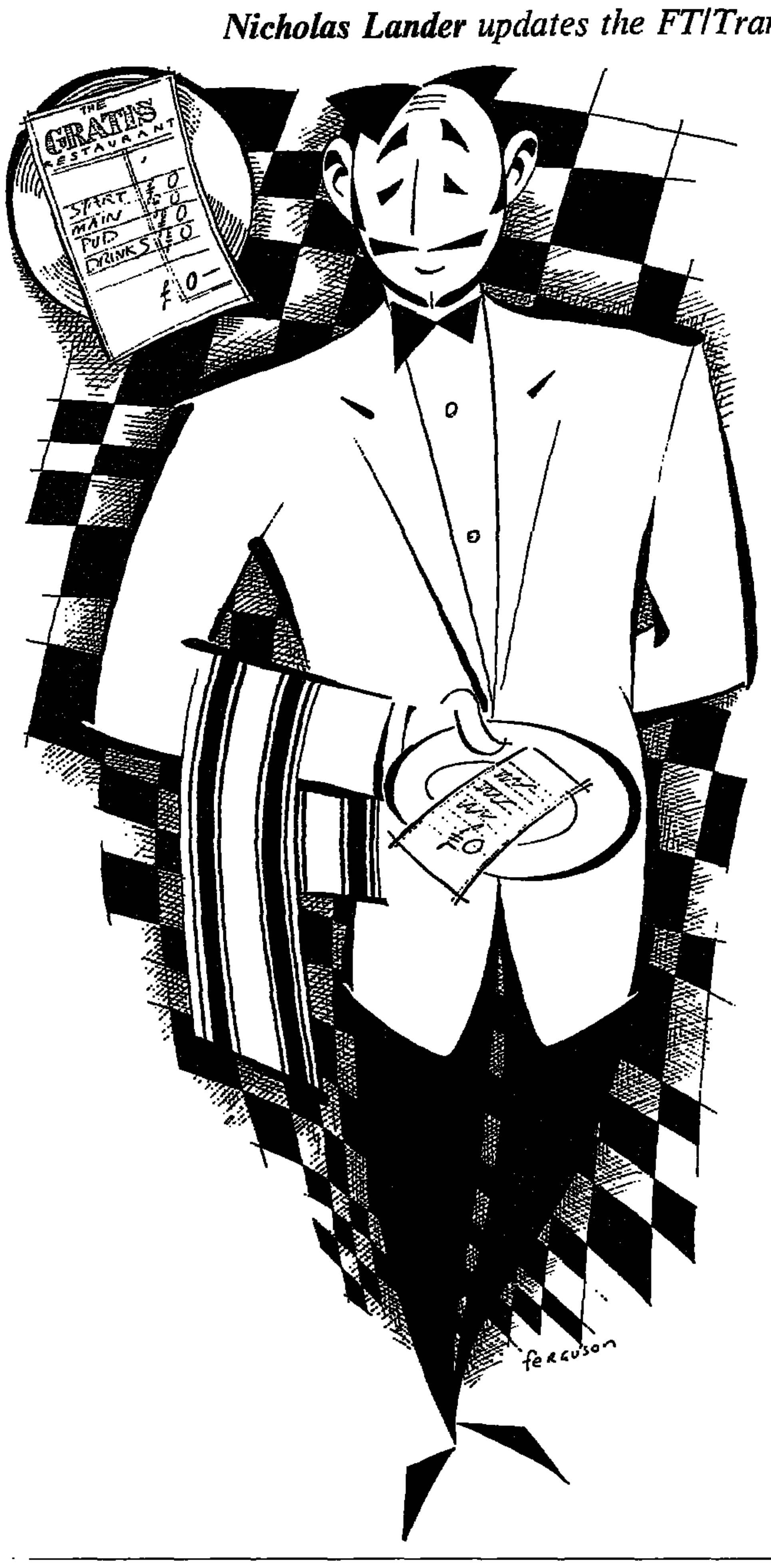
After a vast meal and endless glasses of home-made muscadet, he walked me out through the fields towards the tinkling sound of goat bells. He talked for much of the afternoon – about goats, mountain trout fishing, sausage-making, hunting dogs, liquor stills, rabbit habits, delivering baby calves and much more besides. Gerard loves these things with a passion.

I was somewhat reassured. If there were still people like that, I thought, peasant life in Provence might survive after all, in one form or another.

RESTAURANTS

A good meal, a bottle of wine and 25 per cent off

***Nicholas Lander** updates the FT/Transmedia invitation to 1,000 free meals*



The *Financial Times* restaurant offer starts on Monday.

It is still not too late to take part if you would like:

– A 25 per cent discount on all food *and wine* consumed in one of the restaurants on our list.

– The chance to win a free meal for two. 1,000 free meals for two are on offer to those taking part in the scheme during the three weeks starting on Monday.

Some of our readers are likely to win more than one free meal. For every time you eat at one of the restaurants in our scheme, you get 25 per cent off the cost of that meal, plus an extra chance of winning a free meal for two. And there is no limit on the number of free meals that you may win.

The key to this offer is a plastic card, the *FT*/Transmedia Restaurant card, offered free for six months. How it works and how to get it are explained in more detail below.

Since we announced the scheme at the beginning of the year, the number of UK restaurants in the scheme has doubled to 210. The list on this page gives an idea of the range; but the number is growing daily as Transmedia signs up more participants.

In addition, there are 2,400 restaurants in the US which will accept the card. If you use it in the US you will get the 25 per cent discount, but will not be eligible for the promotional free lunch draw.

You will get a directory, regularly updated, of the restaurants in the scheme. As the numbers grow, this will offer a wide choice of eating places throughout the UK and in the main centres in the US.

The spread is already pretty good.

The main point of this scheme is that it does not just come to an end after the promotional period. For the first three weeks you get the chance of winning one of the 1,000 free meals, plus the 25 per cent discount.

The number of UK restaurants in the scheme has doubled

For six months you get a 25 per cent discount without any cost. After that, you can still use the card, but an annual charge will be made.

The mid 1990s is no time for another "fine dining club", nor do *FT* readers need reminding of where they can go for the best and, inevitably perhaps, the most expensive cooking.

Your *FT* Transmedia directory of British and American restaurants can provide a much broader and, I hope, more useful service.

There are restaurants in which the chef proprietor is the obvious attraction: David Adlard in Norwich, Chris Oakes in Stroud, Richard Smith in Moulsford, Stephen Bull in London and John Dicken at Dickens, Wethersfield, Essex.

Restaurants around the City: Alba, Ashtons, Beauchamps, Mr Garraways and La Paquarette.

Good neighbourhood restaurants which you can now enjoy more frequently: Glaisters, SW10, Newtons, SW4, L'Artiste Assoiffe, W11, Waltons SW3, Willoughby's N1, Crowthers, SW14 and the two branches of Hunter's in Winchester and New Alresford, Hampshire.

Even restaurants in top London hotels – the Grosvenor House, the Mayfair and several other Inter-Continental hotels – which will reduce the cost of your overall stay in the West End.

There are also restaurants which can easily be appended to a more cerebral experience – the Archduke just by the South Bank Centre, the Wigmore Restaurant by the Wigmore Hall and Les Partisans in the centre of Edinburgh.

A collection of good wine bars and pubs with restaurants – Le Metro, SW3, Fino's, W1, the Fox and Anchor, EC1, and the Ebury Street Wine Bar, SW1 – and Japanese (Ajimura, W1), Chinese (Red, SW3; Yien, N10), Greek (Daphne, N1), Indian (The Red Fort, W1 and Addab, W8), Thai (Bahn Thai, W1) restaurants too.

How does the card work?

■ You can pay for any meal with this card, at any of the restaurants taking part. Simply sign the Transmedia credit card slip for the full amount of the bill.

■ This amount will then appear on your next Visa, MasterCard or Delta card statement together with a credit for 25 per cent of the amount you have spent on food and beverages. Discounts are not given on the service charge or VAT.

■ *The FT/Transmedia* restaurant card is free for six months. Thereafter, the annual membership fee is £35 to entitle you to continue to receive the 25 per cent discount. The fee will be billed to your credit card account unless you cancel your membership.

(Cardholders may return the card and claim a full refund at any time.)

■ To join the scheme, . complete and return the application form on this page. You will then receive your *FT* Transmedia restaurant card together with a list of all participating UK restaurants and a directory of restaurants in the US which accept the card.

■ All those who use the card between January 24 and *February 11* will be entered automatically in a draw for 1,000 free meals for two, which are being offered as a *bonus scheme during* the start-up period. Every credit card slip signed during the period will be entered in the draw, so the more times you use your card the better your chance of winning. Each winner will receive a £50 credit towards a meal or meals in any restaurant in the scheme (in addition to the normal 25 per cent saving with their card).

■ Please note: there is no alternative to the prizes offered.

Winners will be notified by post by Monday, March 7,1994.

A list of winners may be *obtained from Monday, March* 7 1994 by writing to The Marketing Department, Financial Times, Number One *Southwark Bridge, London,* SE1 9HL.

The promoters are Financial Times, Number One, Southwark Bridge, London, SEI 9HL and Transmedia Europe, 11 St James's Square, London, SWI Y4LD.

WHERE TO USE THE CARD OUTSIDE LONDON

Hunter's 32 Broad Street, Alresford, Arlesford, Hampshire. *0962 732468*
Fischer's At Baslow Hall Calver Road, Baslow, Derbyshire. *0246-583259*
Bella Pasta 13 Milsom Street, Bath. *0225-462368*
Combe Grove Manor Brassknocker Hill, Monkton Combe, Bath. *0225-834644*
Moon & Sixpence 6a Broad Street, Bath, Avon. *0225-460962*
New Moon 6a Broad Street, Bath. *0225-460962*
Webber's Wine Bar 2 Western Road, Billericay, Essex. *0277 656581*
Bella Pasta 102 New Street, Birmingham. *021-643-1548*
Sloan's 27-29 Chad Square, Hawthorne Road, Edgbaston, Birmingham. *021-455-6697*
Lords Of The Manor Upper Slaughter, Bowhon on the Water, Gloucestershire. *0451-820243*
Dicken's Restaurant The Green, Wethersfield, Braintree, Essex. *0371-850723*
Bella Pasta 24 Market Street, Brighton. *0273-777607*
Wheeler's Brighton 17 Market Street, Brighton, East Sussex. *0273-325135*
Bella Pasta 96 Whiteladies Road, Bristol. *0272-738887*
Markwicks 43 Corn Street, Bristol, Avon. *0272-262658*
Bella Pasta 6 High Street, Cardiff. *0222-399466*
The Anchor Iunsell Green, Danbury, Chelmsford, Essex. *0245-222457*
Bella Pasta 23 The Promenade, Cheltenham. *0242-577417*
Le Champignon Sauvage 24-26 Suffolk Road, Cheltenham. *0242-573449*
The Inn At Whitewell Whitewell, Forest Of Bowland, Clitheroe, Lancashire. *0200-448222*
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The Gallery Restaurant Donnington Valley Hotel, And Golf Course, Old Oxford Road, Donnington, Berkshire. 0635-551199
Bella Pasta 20-21 Silver Street, Durham. *091-386-1060*
Jack Fuller's Near Brightling, E. Sussex. *042-482-212*
Bella Pasta 35 New Broadway, Ealing. *081-579-7089*
Le Marche Noir 2/4 Eyre Place, Edinburgh. 031-558-1608
Les Partisans 144 High Street, Edinburgh. *031-225-5144*
Martin's Restaurant 70 Rose Street, North Lane, Edinburgh. *031-225-3106*
The Vintners Rooms 87 Giles Street, Leith, Edinburgh. *031-554-6767*
Bella Pasta 44-45 Queen Street, Exeter. *0392-77269*
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Green's Seafood Restaurant 82 Upper St.Giles Street, Norwich, Norwich. *0603 623733*
The Chequers Hanford, Norwich, Norfolk. *0603-891657*
Bella Pasta 4-5 Angel Row, Nottingham. *0602 410108*
Bella Pasta 6-16 George Street, Oxford. *0865-791032*
Bella Pasta 78b South Street, Romford. *0708-764114*
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RESTAURANT CARD SPECIAL OFFER/TERMS AND CONDITIONS

■ The *FT*/Transmedia Restaurant Promotion entitles readers to apply for an *FT*/Transmedia Restaurant Card free *for the first six months. Annual* membership fees are £35 and will be billed to your credit card account at the end of the fee-waived period.

■ *Card holders may cancel membership* at any time for a full refund on return of the *FT*/Transmedia Restaurant Card. To participate in the promotion, readers must have a Visa, Mastercard, or Delta credit card.

■ The *FT*/Transmedia Restaurant Card entitles holders to a 25 per cent saving on the cost of the food and beverage portion of restaurant bills (not including VAT, service and tip) at participating restaurants.)

■ Reservations for parties of seven *or more must be booked through the* Transmedia office. Reservations are subject to space available. The telephone number for reservations is 071-930-0700.

■ To use your *FT*/Transmedia Restaurant Card select a participating restaurant from the list published in the *FT*.

■ Present your card at the end of the meal as you would any other major credit card, sign the Transmedia slip for the full amount and keep your copy. Transmedia, not the restaurant, gives the 25 per cent saving and therefore *the 25 per cent saving that will not be* deducted at the restaurant but will appear on your Visa, Mastercard or Delta statement.

■ *Transmedia will charge your Visa,* Mastercard or Delta account for the full amount of the Transmedia charge slip and will process a corresponding transaction crediting your account for the 25 per cent discount on the food and beverage portion of the slip.

■ Continue to check the published list of restaurants as some restaurants may be added or deleted. Restaurant directories will be sent to cardholders updating participating restaurants after the initial promotion has ended.

■ *Only the application form printed* in the *FT* is valid. Photocopies or any other reproductions will not be accepted. Closing date for receipt of applications for the launch promotion has been extended until Friday, January 28 1994. Applications should be sent to *FT*/ Transmedia Restaurant offer, PO Box 85, Watford, WD2 4WQ.

■ Cards are expected to be sent within seven days of application receipt. Transmedia will continue to accept card applications after the initial closing date, but cannot guarantee delivery in time for the launch promotion.

■ Following the end of the *FT*/ Transmedia Restaurant Promotion, a *computer-generated random selection* will be made of 1000 Transmedia restaurant charge slips generated over the promotion period of Monday January *24 to Friday February 11 1994. Charge* slips selected entitle each winner to receive a £50 Transmedia credit toward their next visit to any Transmedia *restaurant while continuing to enjoy* a 25 per cent discount with their Transmedia card. The selection will take place on Tuesday, March 1 1994. Winners will be notified as soon as possible after Monday March 7.

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Title.............First Name..

Surname...Initials.........

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Department...

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Which newspaper do you most regularly read?

Weekday.......................................Saturday...................................

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☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

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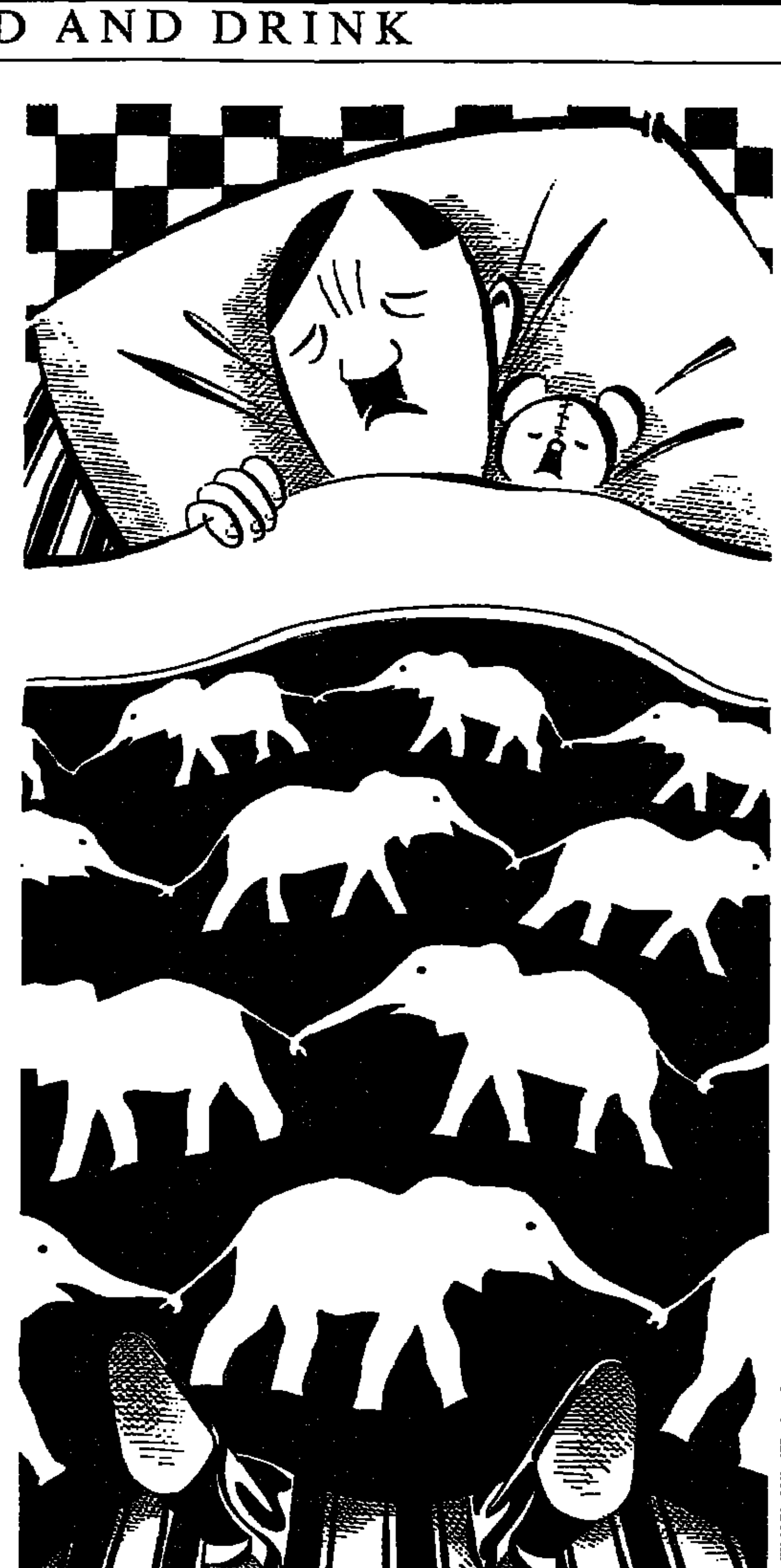
FOOD AND DRINK

A nicer crowd in Hitler's old haunt

Giles MacDonogh visits a Weimar hotel with colourful past



Weimar is unique. Elsewhere in Germany or Italy there are small towns filled with palaces, but none has the literary associations of Weimar. Almost everyone who was anyone in German literature spent some time there and many made it their permanent home.

In spite of a couple of senseless American bombing raids in the last month of the second world war, their relics are still there: you may still drop in on Schiller in the morning, see Goethe before lunch and visit Nietzsche in the afternoon.

Even under the old East German regime, Weimar enjoyed special privileges. The presence of the National Theatre made it a sort of German Stratford-upon-Avon. Those who went were often compelled by the vagaries of East German transport to stay the night. Unlike other East German towns there were plenty of places serving solid Thuringian food.

Since what the Germans now call "the change", the food has improved beyond measure. Arriving in a snow-bound Weimar between Christmas and the New Year I dropped in on the Weisse Schwan, the restaurant which Goethe so warmly commended and which stands next to his house on the Frauenplan.

One west German gastronomic magazine has included it among the country's "best tables". I certainly enjoyed a seasonal roast goose with a fine, crunchy consistency, served with Thuringian dumplings and shredded Savoy cabbage. Apart from a few, *cheap Italian restaurants-cum-pizzerias*, most of Weimar's tables existed before 1989. There is even, in the shadow of Herder's church, a famous fish restaurant which does a thousand different things to herrings.

One newcomer with a distinctly western liveliness about it is Zum Zwiebel in the Teichgasse. The owners bought this old building for a song a couple of years ago and turned it into the town's best pub-restaurant. The food is wholesome and unpretentious. I liked my Soljanka soup: a *spicy potion from the Ukraine introduced* to the East Germans by the Soviets. I sometimes think that the recipe for Soljanka soup will be the only positive achievement the Soviet Union leaves behind. I followed up the soup with a good, earthy, pork knuckle.

Another place where one may eat local specialities is in the Elephantenkeller on the Market Square. Here the dishes are more refined, and the vaulted cellar with its stone arches is *a rather more impressive setting*. Here is the place for red lentil soup and Thuringian Bratwurst with mashed peas. Decent wines are served in 20cl jugs.

The Elephantenkeller is underneath the Hotel Elephant, one of Weimar's two famous old hotels. The other is the Russischer Hof on Goetheplatz. But, while the present owners of the Elephant have spent millions of Marks putting the hotel back on its feet, no such rehabilitation has taken place at the Russischer Hof. The menu in the *main dining room may* exhibit some of the trappings of "modern" German cooking; but the drab decoration, the coffee, the poor orange juice and, above all, the *sharp* practices of the waitresses in the breakfast room, made me more grateful that I was paying *that* little bit more to stay at the Elephant.

Both the Russischer Hof and the Elephant are hotels with fabulous pasts; but in our century it is the Elephant's story which has been the richer of the two. The reason is simple enough: the Elephant was Adolf Hitler's favourite, and it still bears his stamp. Even in the early years Hitler stayed at the Elephant and nothing changed after he achieved power in January 1933.

On Schiller's 175th birthday, November 10 1934, Hitler arrived to celebrate the occasion in Weimar. Two days later the Nazi *Volkische Beobachter* newspaper reported: "The Führer lodged as always at the Hotel Elefant (sic) in the Market Square which, until the late hours of the evening was surrounded by a solid wall of people."

That was the old Elephant, a building which dated back to 1521. In 1937, Fritz Sauckel, Gauleiter of Thuringia and later organiser of wartime slave *labour, reported to Hitler that the Elephant* was in danger of falling down. Hitler decided that the old hotel should not be restored, but replaced by a new building constructed by Hermann Giesler, architect of the Adolf Hitlerplatz in Weimar,

It is well known that Hitler was passionate about architecture, but just how large a role he played in the designing of the Elephant is revealed in Giesler's autobiography.

The architect was summoned to *Berlin to receive the commission.* Hitler wanted a modern hotel "which expresses our feelings about life", he said. It had to have a large hall, dining rooms and, facing on to the garden, a large, light breakfast room which could serve for parties and be used together with the hall. The hotel was to have all the "requisite comforts ... it should combine elegance with solid execution in all its details," said Hitler. It was to be an up-to-date hotel with lifts, and telephones and wireless sets in every room.

Turning to his Gauleiter he added: "Sauckel, make sure that the prices of the rooms remain low. Even if I don't drink alcohol myself I feel a hotel bar is necessary. It could be placed in the cellar. It goes without saying that there should be a cellar restaurant with its own kitchen for preparing simple dishes."

Hitler even demanded that the Elephantenkeller should be accessible from both the *hotel* and the street. It still is.

The new "Haus Elephant" reopened its doors in November 1938. Hitler came down to look at the hotel and his flat overlooking the garden at the back. When Giesler went to see him he had purloined a little Cranach from the museum to hang in his room. "Giesler, the name is fitting. It is not just a hotel, it is a house in which I am happy to live."

The Elephant has not changed much, except that you meet a nicer crowd of people there these days. In clearing away the debris of the past, the new owners – Flamberg Hotels – unwittingly pointed up the Giesler-*Hitler creation: the black* marble surrounds to the portals have been put back. Busts in the hallway add to the 1930s feel of the place. Only here and there a little of that art which Hitler would have called "degenerate" has been hung on the walls. In the main hall, a strict double cube, comic strip scenes from Wagner's Ring have been painted in the panels of what is now called the "Richard Wagnersaal".

It was there that I spent new year's eve. At first with an elderly couple, she from Halle he from Oppenheim-*am-Rhein. Then I was moved to a* table occupied by three strong silent types from Dortmund who did not cheer up until the third bottle of Franconian wine. Latterly I was joined by four Americans and the party began to swing.

A couple of actors performed scenes from Goethe and, while we ate, a band played popular tunes of the type which Richard Wagner would have paid to avoid. Still, it fitted the mood of the occasion. When the bells were *rung at midnight we went out on to* the balcony from where Hitler once hectored the crowd in the market place. But on December 31 1993 we put it to better use as we watched the festive fireworks break over Weimar's night sky.

It was a late night. When I awoke I found that the hotel had left a tray in my room. On it I found a bottle of mineral water, an Alka Seltzer and a little, pink marzipan pig. "The pig brings good luck," one of the Dort*munders had told me. I could not see* it doing anything for my stomach.

The present owners of the Elephant might wish to play down Hitler's role in designing the new hotel and choose instead to remember the other worthies who graced its beds and public rooms: Goethe, Schiller, Franz Liszt, Richard Wagner and Thomas Mann; but Hitler's contribution is also part of Weimar's extraordinary story, and they should realise an elephant never forgets.

Cookery/**Philippa Davenport**

Easy on the appetite and the purse

Simple and succulent squid

After the meat feast of Christmas I favour simpler meals that major on fresh fruit and fish. Fruit is *easy to come by with apples*, pears and citrus in plentiful supply. The last tartly scarlet cranberries can still be found and the first thin, sharp and juicy pink stalks of forced rhubarb are just coming in.

Spankingly fresh fish presents more of a problem. Fishermen need holidays like the rest of us and supplies are always erratic at the turn of the year. Recent stormy weather has made matters worse. Such fish as is to be found on fishmongers' slabs can look as hungover as some of the customers and it may smell fishier than it should. Frozen offerings imported from farther flung seas may prove a better bet.

Last week I bought a solid block of small, white squid and hacked my way gratefully through them. Very delicious they were and modestly priced, a double reassurance when faced, as one is at this time of year, by a maelstrom of buff-enveloped *bills that* bring home the cost of Christmas.

A menu we particularly enjoyed – easy on the appetite, easy on the purse and no hard labour for the cook – began with a salad of watercress and juicy slices of pear scattered with shavings of Parmesan. Squid with saffron rice formed the main course, and syllabub glasses filled with Bramley snow brought dinner to an agreeable close.

SQUID WITH SPECKLED SAFFRON RICE
(serves 6)

One of the attractive features of this dish is the fact that the rice can be cooked ahead, packed into a mould and reheated when needed. This leaves only the squid to cook just before serving – 5 minutes work at most.

1½ lb squid; ½ lb cherry tomatoes; ¾ lb basmati rice; 1 large onion; 2 oz black olives; 1 oz sun-dried tomatoes soaked in olive oil; 1¼ pt fish stock; a generous pinch of saffron threads; a pinch of ground fennel seed; a bay leaf; a few sprigs of thyme; a garlic clove; a little olive oil; wedges of lemon or lime for serving.

Chop the onion finely and soften it in a little oil over very low heat. Meanwhile, thoroughly wash the rice under a cold running tap and leave to soak for 5 minutes. Pound the *saffron strands* with mortar and pestle and soak them in a little of the hot stock.

Tip the drained rice into the onion pan and stir to coat every grain with fat. Pour on the boiling stock, add some salt, the saffron liquid, ground fennel, bay leaf and a sprig of thyme and bring to the boil. Cover tightly and simmer for 5 minutes.

Cut the sun-dried tomatoes into snippets. Scatter them *over the rice*, cover again and continue cooking for 5 minutes more or until the grain is tender.

Halve and stone the olives. Stir them into the cooked rice. Remove the bay leaf and thyme. Check seasoning and spread the savoury mixture in a large shallow dish to speed cooling. When cold, pack the rice firmly into an oiled ring mould.

Clean the squid if this has not already been done, first pulling the heads and innards out of the body sacs. Cut off the tentacles by slicing through the web of flesh that bunches them together and

remove the hard beaks from the centres. Wash and dry the body sacs inside and out and slice across into thin rings.

Skin the tomatoes and lay them in an oiled gratin dish. *Sprinkle them* with leaves stripped from a sprig or two of thyme, add a grinding of pepper and cover with a dome of foil.

Shortly before serving reheat the rice and bake the tomatoes. The rice, loosely covered with oiled foil, will need about 20 minutes at 400°F (200°C) gas mark 6. Slip the dish of tomatoes into the oven for the last 5-10 minutes only, at which point the squid can be cooked.

Dust the pieces of squid very lightly with seasoned flour and fry them in a little very hot oil flavoured with a garlic clove cut in half. (Unless a wok or other really large pan is used, it may be best to cook the squid in two batches.) Fry over high heat, stirring frequently, until the flesh loses its pearly translucence and becomes tender. A minute or two is plenty if the squid are small; too long and they will turn from firm and tender to albino rubber *bands*.

Discard the garlic and mix the cooked squid gently with the tomatoes. Unmould the rice onto a hot serving dish, pile the squid and tomatoes into the centre of the ring and garnish with wedges of lemon or lime.

What happened to taste?

***Jancis Robinson** is scornful of the wine world's trend in technotalk*

Every year at about this time Peter A. Sichel, one of Bordeaux's more urbane wine producers, organises a London tasting of his wares (which includes Châteaux Palmer, d'Angludet and a host of more commercially conceived liquids).

A member of the Anglo/French/Scandinavian branch of a family whose origins in the wine business go back to mid-18th century Germany, he has a broader view of the wine world than many. Based in Margaux, a village famous for the subtlety of its wines, he has expressed exasperation with what he perceives as an infatuation, on the part of wine buyers and commentators, with big, full-bodied, obvious wines.

His note accompanying this year's invitation, however, highlights a new trend among wine commentators, if not quite (yet) in wine commentary.

He says: "There have been gnomes making wine in Bordeaux for some 2,000 years, but they have generally been confined to the cellars, allowed out only once a year in order to declare that the most recent vintage is the best they have ever produced, before being returned to obscurity for another 12 months.

"We have learned that modern communications require that they reveal at least some of their science. We have four highly proficient wine makers in our company, so we are bringing them all to London for our annual tasting."

He is no fool, this man. He is pandering, in the least servile way possible, to the fact that over the past two or three years wine writers have become increasingly besotted with what one might call the technotalk of wine.

People who, in the main, were only too proud of their innumeracy, or their grade nine in physics O-level, now pin oenologists against the winery wall and quiz them for hours on end about fermentation temperature gradients, clone numbers, yeast strains, and the exact proportions of free-run juice versus what came out of the Willmes – or was it Bucher? – press. Oh, and what setting was the press on? I know this, because I do *it myself.*

What has come over us all?

We can use only a fraction of this information in print but, collectively, we seem to be suffering an epidemic of Need To Knowness, rather like the general newsgathering climate in the US after Watergate.

Not that there has been a Winegate. We are doubtless acting under the influence of all those highly trained New World technicians who have the inclination to substitute technotalk for an evocation of personal philosophy, and the need to substitute it for historical anecdote.

It does sometimes help to know, for example, what the total acidity of a wine is, but *in most cases what is important* is how acid it *tastes*, for which no technotalk is needed.

Watch this space for a return to the mid 20th century school of wine writing evoked by such book titles as *Wayward Tendrils of the Vine* and *Stay Me With Flagons*.

Appetisers

Since my article on the progressive dilution of the major gin brands last year I have received a number of letters from readers who have been scouring their local supermarkets for an alternative to Gordon's. All of these gins have retained the former standard strength of 40 per cent. Waitrose makes a proper London Dry, but it it also sells another, cheaper gin at 37.5. Several readers have also drawn my attention to two own-label gins which have maintained the old level of *alcohol: Tesco's and Morrison's*. I neglected to mention Bombay Gin made in Warrington, Lancashire, by a subsidiary of Grand Metropolitan. It uses a wider range of botanicals, or flavouring elements, than most and the flavouring material is steamed rather than "boiled up". The result is a gin with a laudable complexity. It is sold in Britain at the higher strength of 43 per cent and is perfect for a gin and tonic. *Giles MacDonogh*

■ One of Austria's most talented *chefs*, Herbert Lackner, was in London this week to promote the Austrian food festival planned for the spring in the Cafe Mediterranee, St James Court Hotel, Buckingham Gate, Westminster, SW1.

Lackner's touch with foods which can be the despair of amateur chefs – sauerkraut and dumplings to name but two – is light and sure. If you think Austrian food is all about hearty soups and one-pot dinners then this will be an eye-opener. Lackner, of the Die Gersberg Alm in Salzburg, will cook at the Mediterranee from March 7 to 25. Tel: 071-834-6655.

FASHION

Hello country cousins

What do you need to wear to avoid looking like an untutored townie?
***Avril Groom** advises on how to dress for the great outdoors*

The country hick in town has been a source of fun for centuries, from *The Country Wife* to *Crocodile Dundee*. Less has been made of the reverse situation but now the wellington is on the other foot. Increasingly insulated from rural reality, the town mouse is likely to make sartorial mistakes when faced with the countryside.

Country dressing has codes which slowly change and which may no longer fit the townie's stereotyped vision. The owner of a West End country outfitters who divides his time between London and the shires says he now sees far more khaki wax and loden in SW1 than in Wiltshire.

The aims of country dressing are to keep warm and dry, and to merge discreetly with the surroundings. There are several ways stylistically to achieve this but all are based on the same principles – the build-up of practical layers to vary depending on the weather.

So far, outer layers have mostly exercised the minds of technical fabric experts. A fine membrane of waterproof but "breathable" Goretex or dry-cleanable Sympatex now lurks, unseen and efficient, inside both traditional tweed shooting coats and casual padded parkas.

Tough, Goretex-lined cottons have threatened the supremacy of wax finishes though traditionalists still swear by heavy "farmer's weight" wax for real rain and thorny terrain, and more colour variety has given these coats a new lease of life.

The waterproof leather which Timberland pioneered 20 years ago now makes coats as well as boots and ways of keeping it supple through years of wetting and drying are being developed.

The inner layers of all-weather clothing are now coming under scrutiny. Cotton fleece fabrics are popular to provide warmth and filter moisture away from the body, but they are bulky. Fleece finishes are now being applied to thinner cotton knit fabrics to wear as underlayers. So-called thermal underwear has also evolved, with finer, softer fibres, such as silky-feeling Tactel, and a higher aesthetic element.

In fashion's current layered mood everything can be on show not least, when the going gets warm, a lace-edged fine-knit "body" or a ribbed collarless T-shirt. Knickerbox's deep green, lace-trimmed thermals or Levis' dark rib-knits are good country colours.

Style is as essential as practicality. The art of country layers is that they should look artless but still as if they belong together. The effect may have taken time and thought to achieve but no-one should ever know this. The easiest way is to pick one of the classic country styles and stick broadly within it, adding one or two surprise elements to prevent stereotyping.

For instance, young countryfolk like the pioneer style of padded parkas, chunky sweaters, lumberjack shirts and tough cord or fatigue-style trousers. Break this outfit up with a still-bulky, heraldic-looking sweater based on a point-to-point jockey's jumper, or a soft tartan jacket that conveys more of British tradition than backwoods US.

The popular Navajo-style mix of blanket jackets and denim needs sleek, plain suede or Aran-pattern knits to stop it looking like the costume for a B-movie version of *Hiawatha*.

The swathes of knitted layers, mostly cashmere, which the rich favour for country wear need to be in subtle mis-matched neutrals and contrasted with a coarser-textured, bulky overlayer to have the sharp edge of current fashion. And the twills, cords and waxes of English country-house style shape up with a new palette of rich autumn shades and a touch of bold knit pattern or lumberjack check.

The quickest way to spot an untutored townie is by the feet. Fine leather shoes well-spattered with mud are inappropriate. People whose dress code demands polished leather can choose Sam Walker's shiny but water-repellent brown boots, or Cole-Haan's robust but elegant-looking styles. The more rugged still choose Timberland or the even tougher French Paraboot, footgear of the French Foreign Legion.

■ *Hair, make-up: Michelle Marsh*
■ *Pictures: Tony Boase*
■ *Some items featured on this page are in sales and availability cannot be guaranteed.*

Her - navy cotton/polyurethane padded coat, £274.99, beige wool cardigan with leather trim, £99.99, brown cord trousers, £69.99, all from PTA, Lakeside, Thurrock, Essex (071-437-8569 for other stockists). Red wool tartan jacket, £249, scarf, £24.95, both by Pringle from Simpson, Piccadilly, W1. Cotton shirt, £80 from Ralph Lauren, New Bond Street, W1. Hat, £15, boots, £85, both from Timberland, New Bond Street, W1, Harrods, SW1 and Austin Reed branches. Gloves by Dents, £49.99 from Simpson. Socks, £3.50 from Sock Shop.

Him – green and navy reversible waxed cotton and flannel parka by Gant, £315, wool scarf by Invertère, £49, both from Simpson. Navy wool sweater, £155 from Hackett, Sloane Street, SW1. Burgundy wool/cotton check shirt, £65, burgundy cord trousers, £120, both from Alfred Dunhill, Duke Street St, James's, SW1. Rib cotton T-shirt, £20 from Original Levi's branches. Leather gloves by Levi's, £38.50, 071-243-2926 for stockists. Hat, £15, boots, £120, both from Timberland.

Her – brown wax cotton coat, £195 from Hackett. Red padded cotton/polyester jacket by Braemar, £93.99 from Westaway and Westaway, Great Russell Street, WC1, Sogo, Haymarket, SW1, Jenners of Edinburgh and Warwick House of Malvern. Yellow check wool waistcoat, £75, camel cashmere scarf, £45, both from Swaine and Adeney, Piccadilly SW1. Mustard cord trousers, £59 from Austin Reed branches. Denim shirt, £25 from Marks and Spencer. Waxed hat by Cocoon, £25 (0389-55511 for mail order). Cotton socks by Burlington, £5.99 from Sock Shop. Boots, £85.50 from Russell and Bromley. Gloves by Dents, £26.99 from Selfridges. Leather rucksack, £295 from WH Gidden, Clifford Street, W1.

Him – ochre, rubberised cotton mac, £450 from Alfred Dunhill. Cinnamon rubberised jacket, £129, wool sweater, £69, wool scarf, £14.95, all from Austin Reed. Yellow check cotton shirt, £59, mustard cord trousers, £90, both from Gieves and Hawkes. Tweed cap, £27.50 from Simpson. Boots, £75 from Sam Walker, Neal Street, WC2.

HOW TO SPEND IT

Carving a crafty niche

For those who are tempted to think of wood-carving as a simple utilitarian skill, the touring Crafts Council exhibition will be an eye-opener.

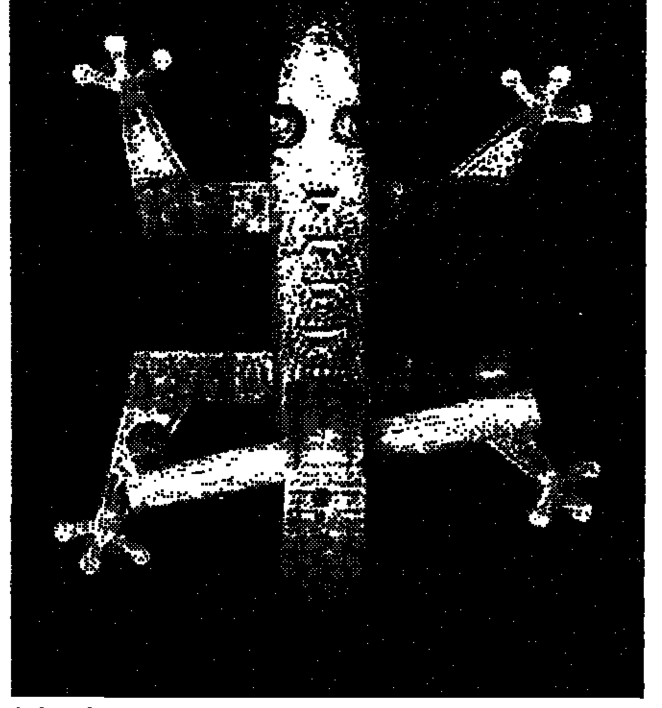
Like all real crafts, wood-carving has a rich and interesting past and, equally importantly, a vibrant present. The two are intimately connected and for those who are interested in the craft it is the exploration of the links between the present and the past that makes this exhibition so illuminating.

The carving of wood for domestic use – whether it be a butterpat-maker in Somerset, a stirring spoon in Zimbabwe, a drinking vessel in Indonesia, an old printing-block in India – goes back thousands of years but what gives joy to the eye and a lift to the heart is the love and skill which carvers have brought to their craft.

Here, too, is a chance to come across much grander work – pieces by such luminaries of the craft scene as Ernest Gimson, Sidney Barnsley, Eric Sharpe, George Jack – as well as what is probably, for scholars of the genre, the highlight of the exhibition, the panel by Grinling Gibbons, whose work in the late 17th century is generally agreed to mark the apogee of the craft.

It is divided into sections, encompassing architectural applications, furniture and fine woodwork, the home (food and drink); the home (personal effects); recreation (outdoor life and music, games and toys); and trades, professional and crafts. And it gives a wide-ranging and comprehensive view of the craft, from the 17th century (Grinling Gibbons' panel) to the present day.

'Fish' love-spoon by Mike Davies, featured in the exhibition



A chameleon coathook carved by Fiona Clark, which falls into the weird and witty category

We see carving that is ornate and almost over-blown (a mahogany candlestand of unknown provenance); we see it weird and witty (Howard Raybould's mirror, Fiona Clark's chameleon coathook, David Cox's International sound box); we see it streamlined and fastidious (John Makepeace's rhythm chair); we see it friendly and domestic (the kitchen and domestic utensils).

Those who are devotees of Guy Taplin will be pleased to see one of his boldly carved ducks.

If you favour a strong contemporary air you should look to the furniture and fine woodwork section and the work of David Cox, Howard Raybould, and Tim Stead. They give an invaluable view of the contemporary scene. Lindsay Anderson's oil-painting on lime-wood is a unique work, haunting, moving and inspirational. It shows just what modern woodworkers have to offer, whether in the public or private domain.

Of course, as in any exhibition, some works are more to one's personal taste than others – this is exactly as it should be. This is a celebration of diversity.

For me, as for many others, possibly the most moving pieces are not the grand panels and elaborate carvings, they are the small, homely pieces – a lovespoon, made by an unknown Welsh sailor, a snuff box made by a blind carver, David Lewis' potato masher, a biscuit print roller, and a gingerbread mould.

My favourite work in the whole exhibition, the one I long to take home and keep, is a late 19th century malt shovel, lovingly carved and exquisite in its simplicity.

This exhibition is a timely reminder that simply because things have a utilitarian role to play in life there is no reason for them not to be beautiful – rather the reverse is true. Because they are the essential elements of everyday life, it matters even more that they have an inherent aesthetic appeal. The spoon that we use every day, the door we open all the time, the hook we hang our coat on, the box we keep our trinkets in – that these should be beautiful or witty, charming or dramatic matters.

Not for these carvers the simplest and easiest means to an end. The chance to celebrate their craft has been seized and taken to the greater enrichment of us all.

■ *The Woodcarvers Craft is on the move and opens at the Usher Gallery, Lindum Road, Lincoln LN1 1NN on January 30 (until April 5) and after that will go on to Bradford in West Yorkshire, Glasgow and, finally, Hove in East Sussex.*

LvdP

The first big-name designer

***Lucia van der Post** visits an exhibition which harks back to a golden era*

A collection of work by C F A Voysey, one of the most famous designers to embrace the philosophies of the Arts and Crafts movement, will be on display at the Design Museum in south west London from Monday.

Voysey was possibly the first of the big-name designers, the Sir Terence Conran of his day. His furniture, his glass and cutlery – and most of all his designs for wallpapers and textiles for Alexander Morton & Co – came to be as sought-after and easily recognisable to turn-of-the-century shoppers as pieces by Philippe Starck and Vico Magistretti are today.

He worked during a golden era of British design when the whole of Europe looked to see what Voysey and his friends – including George Walton, Archibald Knox, Ernest Gimson and C R Ashbee – were up to.

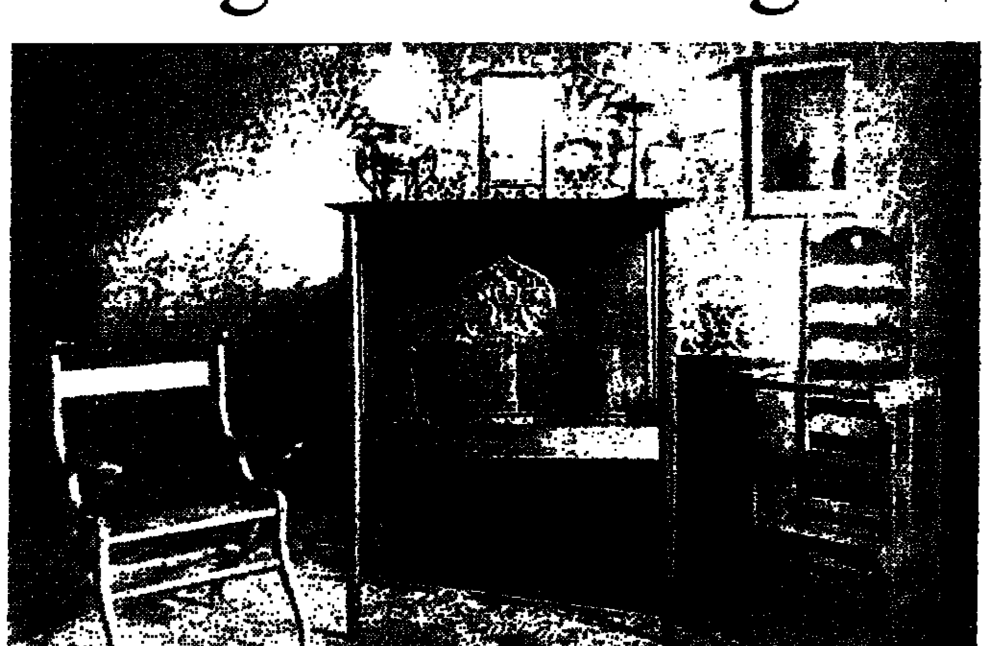
But Voysey's interest and importance goes way beyond the fact that he designed pretty things. He approached his work in a profoundly serious way, believing that individual creativity, even idiosyncrasy, mattered greatly – not simply as a matter of personal preference but because for him it was an essential part of a civilised community.

□ □ □

He saw it as a means of keeping soul-destroying standardisation and bureaucracy at bay. It went with having the courage of one's convictions, with having standards that were incorruptible and absolute.

He is generally credited with being the first to consider the importance of the complete design, "designing from the inside outwards", believing that a house, for instance, should be a composite whole and that the building, the interior and all the minutiae which make it up should work harmoniously together.

Thus he liked to design everything himself from the building to the light fittings, cutlery, carpets and furniture. A house for him, far from being a "machine for living in" was a place for spiritual as well as material shelter: "A serene port in the storm."



An interior by Voysey from the exhibition at the Design Museum

All his instincts led him to like simplicity, light and clarity. His graceful houses, as Claire Catterall, the curator of this exhibition puts it, "filled with light, brought a breath of fresh air to the dark, formal monumentality characteristic of most buildings of the Victorian period."

His furniture designs were plain, yet graceful, usually made from untreated, unpolished wood and incorporating simple, almost Shaker-like motifs such as pierced hearts.

Like the Shakers, he too believed in a connection between beauty and God. "All true culture," he said, "depends upon the love of truth, the love of beauty and the love of God, and can never grow otherwise."

Fine aesthetics were thus much more than just an aesthetic matter – they were of moral import, too.

On show at the Design Museum will be some of his architectural drawings, furniture and fittings, fabrics, wallpapers as well as objects as diverses as telephone boxes and gas fires.

■ *The exhibition, from the private collection of a family member, is sponsored by BhS and is on at the Design Museum, Shad Thames, London SE1 2YD from January 24 to April 24.*

Rome shows its warm smile in winter

*Even after an ordeal by traffic chaos, **Tom Fort** is enchanted by the golden and ancient beauty of Italy's capital*

From the balcony on the top of the palazzo, the Roman morning had a golden tranquillity. The sun had risen beside the absurd bulk of the monument to Victor Emanuel, making the curved tiles on the roofs below me glow, and touching the ochre and apricot walls of the ancient buildings around.

Looking from left to right, I could see the Campidoglio, then the solemn and severe Jesuit church of Gesu, the grandiose church of San Carlo ai Catinari, and the shining dome of Sant' Andrea Della Valle. Garibaldi on his horse frowned from the distant shadows of the Janiculum.

But the pale spiral above Sant' Ivo's church restored light and gaiety, while across the river rose St Peter's, with the grey, professorial mass of the Collegio Romano in the foreground to my right.

At ground level, peace gave way to mechanised bedlam. It was the last week before Christmas, and Rome was going about its business in characteristic style. I was there to assist a brother whose business is supplying smoked salmon.

I was thrown the keys of the car, piled high with packages for delivery, and told to be on my way. With my map-reading guide, a Scottish lady of noble birth, thoroughly Romanised and highly diverting company, I set off, palms damp, mouth dry, heart quaking.

Up the Via della Gatta we went, with the soaring walls of the palazzo above, then round to the Piazza Venezia, where all Roman journeys seem to begin and end. There the ordeal by fire is faced. From a dozen directions the streams of traffic flood, bouncing over the cobbles, weaving, swerving, tacking, darting, while a policeman on a pedestal seeks to restrain chaos from turning into warfare.

I trust it is not xenophobia which suggests that the manners of the Roman motorist are atrocious. No one lets anyone through, or says thank you. The grateful wave is unknown; manual gestures are for impugning virility or parentage. The dominant characteristic is a tense, vigilant aggression, underpinned by contempt for all other road users and a finely tuned, instinctive sense of timing.

The most dangerous drivers, they say, are nuns, who are inhibited by Christian charity from observing the unwritten rules. I watched a sister attempting to steer a Fiat Uno full of fellow sisters into a space big enough for a two-ton truck.

Three times they all got out to examine the nature of the problem, while behind them an almighty snarl developed. At last patience was exhausted. A horn sounded, triggering a cacophony, as the black habits jumped aboard and the little car edged forward.

Though I never learned to drive *alla Romana*, I acquired the disregard for others necessary for survival. And I began to enjoy being a delivery boy. The pre-Christmas period is one of frenzied labour for my brother.

Far and wide we journeyed, Caroline and I: to hideous hotels, where cocky jobsworths tried in vain to duck paying; to friendly bars, where a cappuccino and sticky bun were gladly given; to a princess who demanded a startling discount and would not back down; to a smart restaurant where the head waiter rebuked us for arriving when customers were present; to the elegant Cafe Greco, where no such snobbery prevailed; and to a score of flats and villas in suburbs posh and tatty.

It was not all work, though. On the Sunday before Christmas, in sunshine warm enough for May, I set off towards the river. I strolled through the prettiest square in Rome, the Piazza San Ignazio, which is built like an opera set, and where at any moment you expect the shutters behind the balconies to fly open and a Cavaradossi or Floria Tosca to appear.

'I strolled through a square built like an opera set, where at any moment you expect the shutters to fly open and a Cavaradossi or Tosca to appear'

I passed by the Pantheon, skirted the Piazza Navona and wandered past the antique shops of the Via dei Coronari, until I came to the Ponte San Angelo, with the squat, cocoa-coloured fortress of San Angelo beyond. Beneath the Bernini figures on the bridge, a man with a ponytail was fishing.

Miracle of miracles, he caught something, a roach or chub or its Roman equivalent, which must have weighed 1 lb or so. It kicked and glinted in the sunlight, until he thrust it into a plastic bag full of water, in which it floated belly up.

I watched him for a time, hoping in vain for a repeat performance. Then I joined the crowds ebbing toward St Peter's. As midday sounded on the great bells, the Pope appeared in cream robes at a distant window of the Vatican. As his homily boomed over the loudspeakers, the throng below half-listened and chattered.

A Dutchman resembling Samuel Beckett approached me. Billy Graham is the reincarnation of Jesus Christ, he confided. "I am afraid I do not agree," I replied. He looked mad enough to have a weapon under his raincoat, so I drifted away, grinning amiably.

My brother took me to lunch at a resplendent villa near the Coliseum. I was introduced as the fishing correspondent of the *Weekend FT*, and told the hostess of my Rome exclusive: how I had seen a fish being caught in the Tiber. She seemed impressed; in the main, though, the talk was not of fish but, as so often during my stay, of the remorseless exposure of the cancerous corruption of Italian public life.

Politically rudderless, Italy is sunk in recession. Trade in the smart shops was sluggish and the restaurants were quiet.

Other aspects of life were blessedly unchanged. The market in the Campo dei Fiori pulsed with life and colour, and the ice-creams at Giolitti's – *visciole, fragola, myrtillo, mora* – were as mouth-watering as ever.

It was nine years since I had been in Rome, and I had forgotten how lovely the city is; lovelier still in winter than in the heat-soaked, tourist-infested frenzy of summer, and friendlier.

When in Rome ... The most dangerous drivers, they say, are nuns

Alan Harper

Skiing / Arnie Wilson

White-outs and bolt-holes

Fresh snow is a little like make-up – it can hide the wrinkles of the starkest ski resort and make it appear snug, cosy and even attractive. Tignes, great ski area that it is, has always had an unfortunate reputation for being ugly, which I never thought it fully deserved, even without snow.

But then, ugliness is in the eye of the beholder.

Having seen Tignes recently with almost more snow than it knew what to do with, I found myself feeling quite affectionate towards it, especially up at Val Claret, where a magical circle of bars and restaurants provided a nightly welcome as we waded through the ever-increasing snowdrifts from our self-catering apartment in Hameau du Borsat. (Somehow, despite one's best intentions, self-catering apartments never produce much in the way of catering when competing with the smell of garlic wafting in from nearby restaurants.)

Because Tignes is above the tree-line, skiing through almost constant snowfall can become quite wearing after a couple of days, and eating out becomes especially comforting.

During our stay, the best snow was high on the Grande Motte, now quickly accessible via the gleaming yelow and blue "caterpillar" funicular which rushes dizzily through rock and ice to the top in seven minutes.

Here we enjoyed a rare treat – a break in the weather which allowed the sun to hover in a cloudless blue sky. It was suddenly so warm that we were able to bask outside the Restaurant Panamarique and soak up the inspirational scenery before an exhilarating descent back to Val Claret.

We didn't enjoy such luck the following day: attempting a similar run, we were enveloped in a white-out and had to ski virtually blind. At times like this, shelter and lunch loom large in your thoughts and we found a tasty bolt-hole.

The 600 students battling it out in the British Universities' Ski Championship did not enjoy quite the same options: come blizzard or white-out, they carried on at a relentless pace and it came as no surprise that the Scottish contingent – used to skiing in all weathers – dominated the proceedings. The only regret was that cheering them on – or even seeing them – was well nigh impossible.

Such was the concentration of snow that even a visit to neighbouring Val d'Isère had been, fraught with difficulty. However, we made the effort and crawled down in our game little car where we bumped into Martin and Graham Bell, still ski-racing for Britain after all these years.

Alberto Tomba, the Italian slalom ace, is another regular visitor and Charles Arnould, director of the Hotel Latitudes, told us that he had been let loose in the kitchen to cook his own pasta.

Arnould recalled: "We tried to persuade him to let us cook it for him but he was adamant. It's the same whenever he vistits us, he always insists on cooking his own pasta."

Perhaps Tomba and I should swap accommodation next time we are in the area: he would make good use of a self-catering apartment and I would love to be cooked for and waited on hand and foot at a four-star hotel.

■ *Travel arrangements and accommodation in Tignes for Arnie Wilson, the 600 racers from 40 universities, plus 700 other non-racing students, were made by Touralp (UK) Ltd, tel: 071-602 1952*

FT Round the World Ski Expedition

Arnie Wilson and his companion Lucy Dicker are finding their trip round world is hardly one long holiday: they have been hit by illness, injuries and theft. They are still on course to ski every day in 1994 but events have made the extra challenge of skiing 5,000 miles during the year a very tough one.

Arnie reports from North America: "After a hacking cough, I lost my voice and then the use of my left arm after falling twice on my shoulder. We later lost our video camera, stills camera and credit cards.

"But we've been given such a warm welcome everywhere that our spirits have not been damped. We have already driven more than 4,000 miles and skied in a score of US resorts – but if this is Saturday it must be Canada ..."

Full reports on the expedition will appear each month in Weekend FT.

■ *There is still time to win a skiing holiday for two in Zermatt or runner-up prizes of champagne by entering the competition which appeared in Weekend FT on January 1 (copies available from the FT shop, tel: 071-873 3324).*

Cotoneaster

The Garden Picture Library

Gardening / Robin Lane Fox

Wild beauty tamed

The more you see, the sharper your tastes become. Gardeners spend their middle years forgetting that they began by liking things which now seem beneath them. Time passes, tastes broaden and we all come back for another look at the old untouchables.

I am not about to praise heather. Instead, I must pay a tribute to an outstanding performer of the past three months, although its name conjures up a bush with branches like fishbones, covered with berries which are much too bright for their background of yellow brick. Cotoneasters are given a wide berth by gardening converts (by converting they feel they have escaped from them). Like most converts, they have bolted too quickly and owe their past another look.

Throughout this winter, cotoneasters have been magnificent. Huge crops of berries are supposed to predict a cold winter, but we can now infer that a huge crop on a cotoneaster predicts floods and an earthquake. There is more to the family than the common horizontalis, the fishbone form which turns up on home extensions. Think of China, their natural home, of bees, berries and beauty when nothing else is out.

A bad plant can also be a good plant in a bad place. The fishbone cotoneaster will grow anywhere, even in a wind-corridor beside the dustbins, but we should not assume that the rest of the family deserves nothing better. It includes some star turns, of which my favourite is Exburyensis, an evergreen hybrid which was bred by one of the Rothschilds' gardeners. Its berries are a heavenly shade of pale yellow and appear from late October onwards. The narrow leaves are up to 5in long and remain green while the berries are at their best.

This fine plant will grow on a wall and so gardeners tend to put it on a north wall believing it will grow anywhere. And it will, reaching 12ft and a manageable width.

But it is twice the plant if it faces west or south-east: the sun plays on the berries and the plant can be brightened in the summer by a clematis growing through its stem.

Its pair in the family is another hybrid, cornubia, which also arose at Exbury. No other cotoneaster has such brilliant red fruit and it remains dazzling well into November. Again, it tends to be tucked into shade or pinned on to angular walls between London neighbours.

The fishbone cotoneaster will grow anywhere, even in a wind-corridor beside the dustbins

Left to itself, it will spread far and wide and develop too many sidestems. It is much better if it is pruned each spring and limited to a single trunk and encouraged into the shape of a tree. I have seen superbly-trained Cornubias, pinned up a west-facing wall on London houses where its growth has reached to the fourth floor after six years.

These two children from Exbury are exceptional evergreens, but there is an equal from the wild which gardeners underestimate. Cotoneaster lacteus was brought back from Yunnan 80 years ago, but gardeners neglect it because they think it must be ordinary, a plant for cover beneath trees. After watching it nearby, I realised that it has magic.

The way to grow it is as an evergreen hedge, lightly clipped in early spring and allowed to reach a height between three and six feet. The hedge is thick to the base if you clip it from its first year onwards.

It is cheap, completely hardy and varies in colour between a grey-green when its shoots are young and fiery show of berries as the season ends.

On a clipped hedge they are prolific so long as you clip early and allow the plants to flower in early July. The berries and evergreen cover are so good that I prefer this variety to a hedge of franchetti, a more elegant shrub when in leaf but not so bright in berry or so evergreen.

On both accounts, I prefer Cotoneaster conspicuus decorus which has reached us from Tibet. This Tibetan in exile will grow almost anywhere in Britain and bears the most beautiful berries in light shade. It lasts longer than any other because the birds seem to ignore it. But it spreads to a height of about three feet and makes a clump, not a hedge.

There is more, then, to this family than fishbones and too much scarlet. I think we forget what wild beauties we have tamed. Life on an urban fencing panel is a far cry from a hillside in western China. The more we see cotoneasters pinned and splayed against a bad background, the harder we find it to imagine them growing in a romantic site in an uncluttered landscape. We need to disassociate them from the setting which we have imposed and then we will start to recognise what useful beauty this despised family brings with it.

Motoring / Stuart Marshall

Mercedes aims for youth market and misses

First, a cautionary tale. There was an old and much respected current affairs magazine. New copies were read in the libraries of London clubs and England's great houses and in first-class train and aircraft seats everywhere. And old ones in doctors' and dentists' waiting rooms.

A few years ago the publishers decided its readers were getting old. We must, they said, make our magazine appeal to the affluent young. So they changed its editorial approach and waited for the subscriptions to roll in. Nothing happened.

So what does this have to do with a motoring column? Substitute Mercedes-Benz for magazine and a picture emerges.

Until recently, Mercedes-Benz was seen by financially successful people as the world's most desirable car. Heads of state and captains of industry rode in big ones. Smaller cars with the three pointed star were the choice of mainly middle-aged businessmen – and their wives.

They still are. But for several years younger potential customers have looked elsewhere, feeling they were not yet old enough to drive a Mercedes. They went for BMW and Audi instead. (It is a problem Honda and Volvo are familiar with.)

So, when it was time for the best-selling 190 to be replaced by the new C-Class, Mercedes-Benz saw its chance. It knew what to do. Make the styling curvier; use more powerful, multi-valve engines; improve the handling; and liven up the paint colours and interior trim.

Has it done the trick? Are the affluent and trendy deserting their BMW 3-Series and 5-Series, their Audi 80s and 100s? It is early days. The new compact Mercedes is selling well. But if BMW and Audi are worried about their customers being seduced by the C-Class, it has not started to show. From a little over £18,000 on the road, it is not cheap, though neither is it extravagantly expensive. But it will hold its value. Number crunchers at fleet management companies forecast that three years motoring in a C-180 will cost less per mile than in a comparable Ford Mondeo or Rover 600.

Does Mercedes think naff interiors will be a turn on for the under-30s?

I dipped into the C-Class collection some months ago in Germany. More recently, I got to know a C-180 well during a week spent driving one in Britain. The three-pointed star I always find reassuring to drive behind was much less obvious than it had been on the 190 because the bonnet swept down so steeply.

There was more space inside. The boot was even bigger. The driving position was familiar. The 1.8-litre, 16-valve engine – slightly more muscular than the old 190 E's 2-litre – was unexpectedly vocal during hard acceleration but nearly silent when cruising on a motorway. The C-180 handled neatly, rode as though it were a bigger car and was everything one expects of a Mercedes-Benz.

Except, that is, for the interior. Mercedes-Benz offers the C-Class in four versions – Classic, Esprit, Elegance and Sport. Differences are mainly in trim level; Classic is the entry model, Esprit has lowered suspension and a folding back seat; Elegance, a powered sunroof and windows; and Sport, alloy wheels and stiffer springs. Never mind the names. You can have a 1.8, 2.0 or 2.2-litre four-cylinder or 2.8-litre in-line six-cylinder petrol engine, or four or five cylinder diesels of 2.1 and 2.5-litres capacity, with any trim.

I drove a C-180 Elegance. I should have known it was the luxury version from the touches of polished wood veneer. But the interior ambience was otherwise strictly fleet model Vauxhall Cavalier. The disagreeably patterned fawn cloth trim may have youth appeal, though I doubt it. It certainly has none for me.

All I can say in mitigation is that some of the other C-Class cars I drove in Germany plumbed greater aesthetic depths. They were trimmed in cloth that looked like surplus stock from a cheap-furniture factory. Standard colours of the C-Class include primrose yellow and baby blue; shades I suppose the naff interiors deserve.

But how can they do this to my favourite car? Do they really think this lapse of good taste will be a turn-on for the under-30s? And finally, can anyone please tell me what is the German for: "don't throw the baby away with the bathwater". Without a rethink at Stuttgart, I fear that is what Mercedes-Benz just might do.

TRAVEL

Quiet times for Egypt's King Tut tat sellers

The best time to see Egypt's temples may have been now, says ***Patricia Morison***

Hearing where we spent the new year, people look at us with the kind of respect due to someone who has come back from Bosnia. "You went to Egypt! Wasn't that dangerous?" We demur. Ten days in Cairo, Luxor and Aswan were fascinating and unforgettable. Yes, we would go back like a shot.

Not that this is the happiest phrase, given the prevalent view of Egypt as a country in the grip of bearded fanatics who shoot anyone in a swimsuit. It has been a disastrous period for tourism, Egypt's second most important currency earner. On December 27, while we were there, the most serious attack on tourists to date took place when Moslem extremists bombed and fired on a coach carrying Austrians in old Cairo.

Meanwhile, we were at Aswan, congratulating ourselves on our prescience. At the new and comfortable Ibis Island Hotel, hovering waiters outnumbered sunbathers. It was the same at Luxor, where in the heat of the afternoon barely a handful of sun-worshippers lay beside the Winter Palace's pool. The moon was full, but there seemed to be no honeymooning couples under the royal palms which once witnessed King Farouk's indiscretions.

For a century, tourism has been the life-blood of a town such as Luxor. Now there is little for the sellers of King Tut tat to do but draw on their waterpipes. The mood is one of dejection and, so far as one can tell, anger.

When we took a sail in a *felucca*, the captain made mint tea on his primus stove. Suddenly he stood up and announced that if he found the "bad men" who had scared away the tourists, "I will catch them and eat them with my teeth!"

Luxor and Aswan have foreign-run luxury hotels to suit all pockets, although for elegance and architectural distinction the Old Cataract Hotel at Aswan is unsurpassed. Whether hotels have one star or five, though, they are all short of guests. Ask the price of a room and managers say they are negotiable.

Winter is peak season and, even now, Karnak, Thebes and the Valley of the Kings are far from deserted, especially if you dawdle in the morning or coincide with a cruise ship.

The best plan, for mature travellers with a sense of humour, is to reject organised tours and travel independently. From Luxor, Cairo and Aswan, it is possible to do all the major sites with guides hired through local companies, or to do the sites alone. For around £25, you can hire a taxi from 7am to 7pm.

After two centuries of tourism, it is almost banal to enthuse about the monumental remains of the pharoahs, Ptolemies and Romans. In the Cairo suburbs there are the Giza pyramids with the astoundingly elegant Barge of Cheops – often skimped by tour companies. There is Memphis and the majestic stepped pyramid at Sakkara.

In Upper Egypt, there is Luxor where, last October, to boost falling revenue, Tutankhamen's tomb was reopened in the Valley of the Kings. Then there are the temples of Karnak, Luxor, Abydos – where the head of Osiris was said to rest – Dendera, and yet others.

Aswan is a prettier, less pressured town than Luxor, and the place you go to for visiting the temples rescued from the waters of the Aswan high dam. Philae is small and, even now, uncomfortably crowded. At the other end of the dam, few people go to New Kalabsha where a family of tame sand foxes plays in the sanctuary of Marul. Further upstream, reached by bus or aircraft, lies Abu Simbel.

It is only possible to imagine what the ancient mystery cults might have been like when there is silence in the huge temples. Peace reigns in the huge Ptolemaic temple of Hathor at Dendera, where for centuries people went from all over Egypt for the new year festivities.

Figures appear from the shadows, muttering the names of deities until paid off with a note or two. On the temple's massive roof, it is completely quiet and one sits for an hour or so, just gazing at the panorama with its contrast between barren desert and cultivation.

In his book, *Egypt, Land of the Valley*, Robin Fedden described the Nile as "like East Anglia with the form and tone of Provence". It is a richly beautiful landscape, utterly engrossing to watch. Egrets slowly criss-cross the fields and hoopoes perch on the lemon trees. There are palm trees and pigeon roosts, water buffalo and camels which sway past laden with sugar cane.

Village houses are made of mud or bricks fired in kilns beside the road. If their owners have made the pilgrimage to Mecca, they paint scenes from the journey on the external walls. Electric pumps send Nile water gushing into the clover and sugar cane, but the *shaduf* (buckets on pivots) and Archimedean water wheel are still used.

The average *fellahin* family has six children, which explains why there are so many people. Women squat outside washing clothes and making bread. Children jog past, two or even three to a donkey, waving at tourists and often darting into the road. Driving is best left to the Egyptians, particularly at night, when the practice is to switch off headlights and then flash them wildly at oncoming traffic.

The contrast between upper Egypt and Cairo, traffic-choked, squalid and chaotic, could not be greater. Yet Cairo also has to be seen, and we found four days too short. Its medieval heritage is one of the most impressive of any city in the world, although shamefully neglected by the authorities.

Its principal Islamic monuments are architectural gems: Ibn Tulun, the exquisite Madrasah of Sultan Hasan and the noble mausolea of the Mamluks in the North Cemetery. Egyptians appear totally relaxed about non-Moslems in mosques, providing they are modestly dressed (no shorts) and remove their shoes. I would always cover my head, too, although many Arab women did not.

Even in seething Cairo, it was obvious how blessed a time it was to be sight-seeing. At the Great Pyramid on a Friday afternoon, foreigners were outnumbered by Cairenes picnicking in their best clothes.

More extraordinary still was our visit to Cairo's Egypt Museum. By lunchtime, the Japanese and Arab visitors had gone, giving a parting caress to the statues they passed. That left us almost alone in the upper galleries, where case after case displays the Tutankhamen finds, his war chariots, sandals, linen, furniture, throwing sticks and perfume jars.

It may be that our persons were at marginally greater risk in Egypt rather than in rain-sodden London. (It last rained in Aswan four years ago.) Our choice, however, was to believe people living or doing business in Cairo who insisted on Egypt's reputation as an unusually safe place for foreigners.

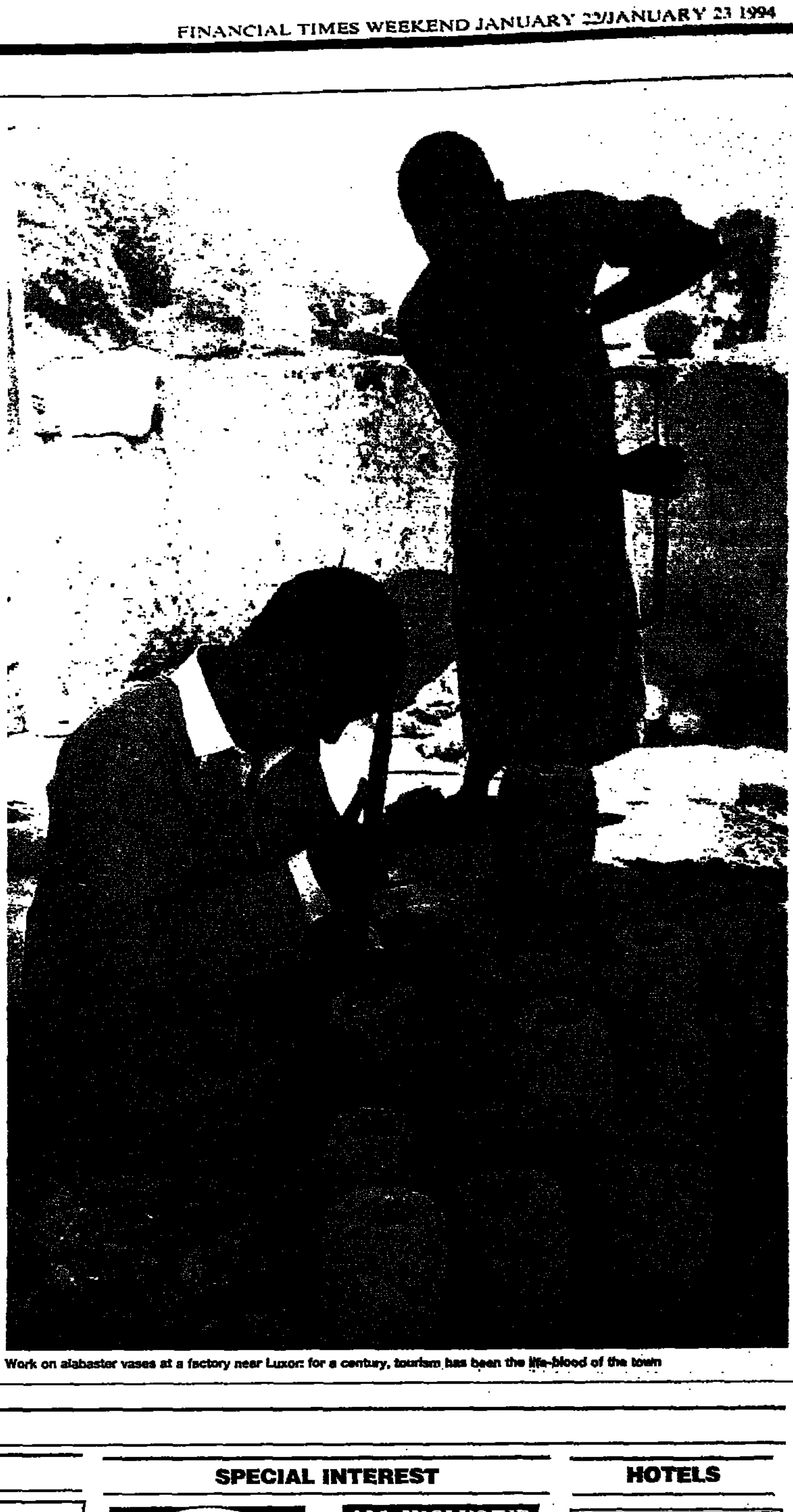
Strolling in the evenings we felt completely safe. We succeeded in avoiding gastric misery by eating conservatively and only in first-class restaurants. The most unpleasant experience was a glass of Omar Khayyam rosé – Egyptian wine can be lethal.

All the guidebooks comment on Egyptians' warmth and kindness towards foreigners, and they are right. The commonest word one hears is "welcome". One of the next commonest is *"baksheesh"* from children in the street. Part of the scene is the begging, the need to be for ever tipping, and the street hassling. Instead of letting these customs get under your skin, it is better to ignore them as an inconvenience more than compensated for by the Egyptians' good manners and love of a joke.

After all, it is Egypt's Islamic traditions which make a holiday there such a rich experience. *Inshallah* – as pious Egyptians frame every future wish – I will return to the Nile. As for the temples, the best time to be there may have been now.

■ *Patricia Morison's trip was organised by the Egyptian State Tourist Office: 168 Piccadilly, London W1. Tel: 071-493-5282. She flew Egypt Air to Cairo, Luxor and Aswan, and in Cairo stayed at the Rameses Hilton, which is quiet and central.*

Sight-seeing and shopping are aided by using the three Tour Maps of Islamic Cairo, available (£3 each) from the Travel Bookshop at 13 Blenheim Crescent, London W11, tel: 071-229 5260.



Work on alabaster vases at a factory near Luxor: for a century, tourism has been the life-blood of the town

TRAVEL

Sledging using huskies is still one of the main ways of getting around Norway's empty arctic wastes

Spectrum Colour Library

Up to the waist in snow

***Michael Woods** samples the various means of transport in arctic Norway*

THE SILK-soft nostrils of Svartir, the impatient Icelandic pony towing the sledge behind, puffed hot, steamy breaths over us. Svartir was in a good mood though often she is a sluggard, falling farther behind on the half-hour journey along the frozen road leading deep into the Finnmark countryside.

Tonight she was with us all the way as the sledges hissed and the ponies clip-clopped and jingled in the semi-darkness across the snow. Our destination was Ongajoksetra, near Alta in the area of arctic Norway known as Finnmark where, in Turid Kjellmann's kitchen, we drank a warming mixture of red wine, cherry juice and cinnamon called *glogg* before starting our meal.

Even with Svartir's impatience, travelling by horse-drawn sleigh turned out to be a good deal calmer than dog-sledding the following day when we travelled from Alta on to the empty Finnmark plateau.

The huskies arrived at our starting point in blocks of individual kennels bolted to the back of a pick-up truck; they were so anxious to be off that they almost burst through the doors. Once out and attached to the single trace, they yowled and barked with enthusiasm and strained to be away.

As a precaution, the trace had been attached by a slip knot to the tow bar of the truck and, with all 16 dogs in place, even that began to slither slowly over the snow. Finally the driver of the dog team slipped the knot and our sledge shot off at high speed.

The local policeman was to have been one of our sledge drivers but he was unable to be with us. Instead he had to go in search of a missing woman. She had set out on cross-country skis late the previous afternoon to visit friends but had not arrived. What seemed to us a foolhardy expedition was apparently an everyday journey for the Norwegians, who learn to ski at about the time they learn to walk.

As I discovered for myself when I tried to go for a walk without the benefit of skis, the thick blanket of snow which cloaks the landscape is almost as confining as water, and I found myself floundering waist-deep in the stuff. The only way forward was to follow snow-mobile tracks. The snowy wastes were deserted. Tracks told where fox and mountain hare had woven a complex story in the night. Like an omen in the emptiness a raven flew overhead, croaking like an old donkey.

We stopped our dogs to drink coffee, boiling the water on a fire built on top of birch twigs in a hole dug in the snow. We sat round the rim on reindeer hides, chewing dried venison and drinking our hot brew in the silence as the fire grew hotter and sank deeper and deeper into its pit.

Even the dogs were quiet, anchored and strung out along the trace like dog-shaped washing in black and white. The silence was soon to be shattered, though, for just around the hill were the snow-mobiles on which we were to continue our journey; the odour of dogs was replaced by the smell of exhaust.

The snow-mobile is the arctic equivalent of the Harley Davidson and brings out a lust for speed in the most staid. We set off down a designated track to Jotka mountain lodge for lunch. The Alta area is noted for its trees. It is not that they are special, just that there is nothing else this far north.

Alta catches the last vestiges of warmth from the Gulf Stream, just enough to allow birches to raise their heads tentatively above ground level. They punctuate an otherwise featureless landscape plateau with shades and tones. Threaded through the trees, our route was marked by staves, a necessary precaution because even in spring it is possible for several inches of snow in a single night to obliterate the track.

These staves are also important because of the need to restrict snow-mobiles. The advent of such fast, all-terrain vehicles has changed the face of the north and the lives of the reindeer-herding Lapps, now more properly called Sami.

The Sami no longer need to camp out with their deer, moving with the herds as they search for food. Instead they live in nearby towns, racing out each day to seek the deer on their snow-mobikes.

The resultant erosion, together with high levels of over-stocking to pay for such expensive machines, has destroyed areas of reindeer moss, the lichen staple of the deer in winter. Herds are being reduced sharply in order to control matters, while the snow-mobiles are required to stick to certain trails.

Judging by the exhibition of lassoeing which we watched, that tradition, too, is on the decline. Two Sami tried to ensnare the reindeer antlers but they seemed unskilled; it was no surprise to find that they prefer to bribe their reindeer, gathering them around a bag of concentrated food rather than chasing them with lassoes.

Up to their knees in snow, the reindeer looked even smaller than I had expected as they scraped away snow with insulated, fur-covered noses to reach the moss beneath. We had come to see these deer with their owner, Kirsten Bent Gaup, one of the few Sami still to own a herd. The male deer were bare-headed for they lose their antlers after the autumn rut; they are thus disadvantaged during the winter when the calf-carrying females, which retain their antlers, need food more urgently. As they crowded around Kirsten, it was the cows that prodded their way to the best of the food she was dispensing.

In spite of the harsh climate and the months of winter darkness, the people of the north and their reindeer are great survivors. The woman, lost overnight, turned up safely if a little late, perhaps confirming the Samis' notorious disregard for punctuality and lack of urgency. "If you are in such a hurry," their saying goes, "why didn't you arrive yesterday." Perhaps Svartir was trying to do just that.

■ *Michael Woods flew to Norway with SAS and travelled with Norwegian State Railways (London tel: 071-930-6666) which runs tailor-made arctic Norway holidays from £1,000 for five days. These include horse and dog sledging, snow-mobiling and visiting Sami reindeer and their herders. A padded suit is provided along with boots, gloves and hat for a small extra sum.*

Specialist clothing is also available in Britain from Mountain Equipment (customer service department: 061-366-5020) and Helly Hansen (0234-266966).

Mugged by the magic of Rye

***Nigel Andrews** admits to an addiction*

Henry James called it the "ceremony known as afternoon tea" (first sentence, *The Portrait of a Lady*). Many believe it was the main reason he settled in England. We can picture the great man, his vast egg-like face surveying the British landscape until he espies – ah! Rye! For here, on a hillock overlooking what was once the sea, stood and still stands the most beautiful town in south-east England and the perfect place for the pluperfect repast.

Cobbled streets clamber past half-timbered tea rooms. The hiss of kettles swells like a siren at 3.45pm. And when you have been stung for the price of a cuppa in Elizabethan surroundings, you can move happily off to be stung by the antique shops all around.

I am a Rye addict and probably incurable; a regular visitor ever since studying H.J. at university. Scholastic zeal took me to the Georgian corner house where the master dictated his late novels and entertained the illustrious: Joseph Conrad, Edith Wharton, Rudyard Kipling and Co. Lamb House is a must. Its frozen, limpid dignity tells us much about Henry James, good and bad, and the garden is a delight on a summer's day.

But if I came for James I stayed – or kept returning – for Rye itself. Here is that rarity, a town that lives in the present while still seeming to breathe with the lungs of the past – a town so unscarred that it needs no gussying up by its tourist board.

In fact, the "Rye Tourist Initiative" has been going to the other extreme lately and risking infamy by official vandalism. The body in question is thinking of removing the famous cobblestones – I ask you – from Rye's thoroughfares, including Mermaid Street, its masterpiece of the cobbly-picturesque.

This uphill river of stones surges past historical-architectural gems before washing up against the fabled, fabulous Mermaid Inn: a brick-and-timber former smugglers' hostelry that creaks and tilts and winks and boasts a prize main bedroom called Dr Syn's Bedchamber (named after Romney Marshes' top smuggler), last notably slept in by the Queen Mother.

Rye's greatness lies in its having survived time and trouble and tourism initiatives for nigh on 1,000 years. Back in the 16th century it was the foremost town in Sussex; 400 years before that it was eminent enough to become, with neighbouring Winchelsea, one of the two prestigious Ancient Towns attached to the Cinque Ports.

Now lapped by flatlands, Rye was lapped centuries ago by the English Channel. In Tudor times 400 ships lay at ease in her waters and Queen Elizabeth I stopped by to dub the place "Rye Royal".

Old pictures and prints show the same beautiful, huddled-housed, church-crowned promontory. You *must* make sure, if you have only a day, to see the following landmarks:

Land Gate and Hilder's Cliff. After threading the 14th century archway, you climb a rising street that overlooks marshland, fishing craft and, far off, the oddly magical bulk (on the right day) of Dungeness power station.

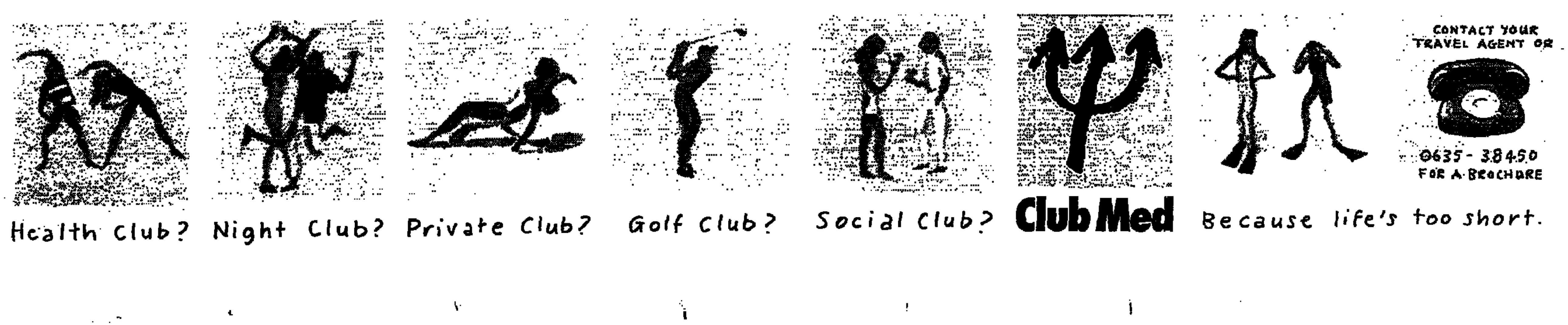
The Old Grammar School. A "masterpiece of brickish aplomb", as one guidebook says. A wine-red 17th century building in the Kew Gardens Dutch style, it towers over High Street, unhumbled even by its present status as a discount shop.

Ypres Tower. 700 years old and looking every minute of it, this mini-fortress and one-time prison was built by Henry III. For the first half of this century it was a mortuary; now it is a museum.

St Mary's Church. Reformation and pre-Reformation styles mix in the building that crowns Rye's hill.

What else should you do before sunset and dinner at, I suggest, the succulent Landgate Bistro? Probably dash to the town hall to check out its handsome façade and weird cache of memorabilia, including a gibbet-cage and a pillory; eyeball two picturesquely jettied buildings, the Flushing Inn and Fletcher's House; and wander up and down, down and up, the High Street.

I have taken friends to Rye. I have astonished them with the cobbled streets (who will dare to remove them?), refreshed them in quaintly gnarled tea-rooms, expounded the town's history, and generally tried to mug them with its magic. It always works. Rye is not so much a place out of time, more a place where different times are conjurable and vivid every time you turn a corner.



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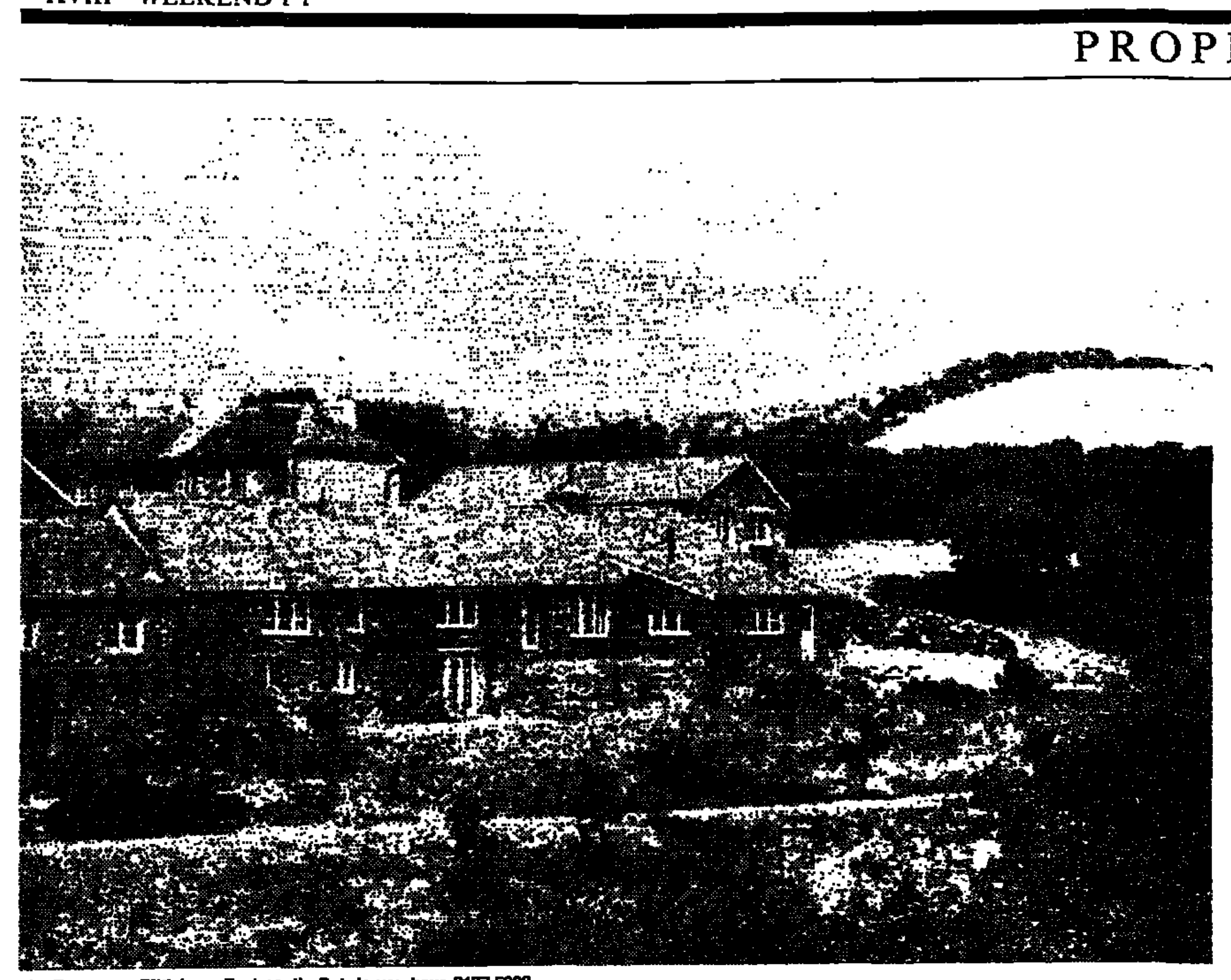
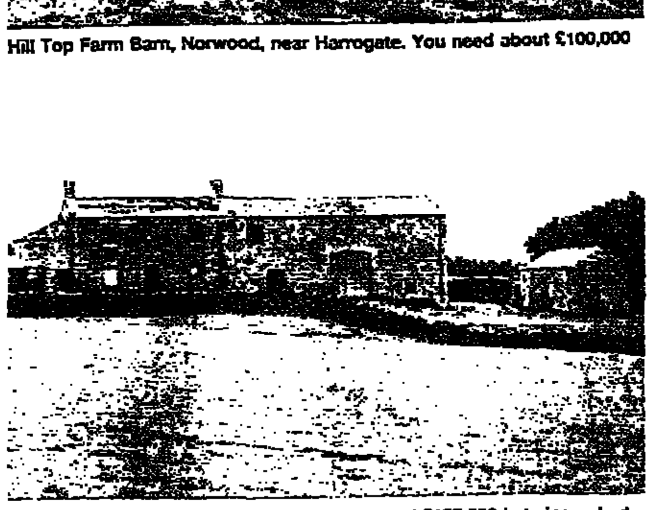


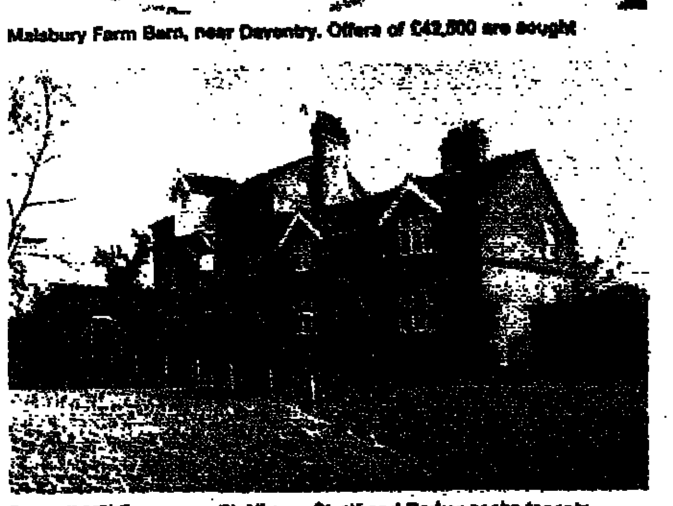
The Byre, near Dittisham, Dartmouth. But do you have £177,500?

Hill Top Farm Barn, Norwood, near Harrogate. You need about £100,000

Malsbury Farm Barn, near Daventry. Offers of £42,500 are sought



Craddock Farm, Thruscross, Yorkshire. Around £135,000 is being asked



Sopwell Mill Farm, near St Albans. Strutt and Parker seeks tenants

In search of a country living

Do you want a rural lifestyle? ***Gerald Cadogan*** *looks at barns and farm buildings*

Farmer Richard Carlton looked at his barn. "There was only a horse in here six months ago," he said. Now at Lower Farm, in the village of Bucknell, near Bicester, Oxfordshire, half the barn holds the offices of NMA Marketing, a property marketing consultant company.

The other - soundproofed - half is home to the newly-formed Glass Gramophone Company which remasters golden-oldie hits from scratchy 78rpm records to make compact discs. Across the yard, Carlton is converting another barn and he has one more to tackle.

Carlton's barns are nothing special in themselves - many barns are listed buildings, but not Carlton's. They were too small to house modern farm machines and were not really needed for the farm: the barn with the horse had been built as a milking parlour in the 1920s - but Carlton does not keep cows. So he sought an alternative use for them.

He obtained outline planning permission to convert one of the barns into a house but as it was the closest to his own farmhouse, he was not eager to sell it. Holiday lets were not as good an option in north-east Oxfordshire as they might have been in the Cotswolds to the west. Nevertheless, he may eventually convert other buildings for holiday use.

His choice was to create industrial units for letting. Although deep in the countryside, Bucknell is just three miles from junction 10 on the M40 (where a service station opens shortly). And Cherwell district council liked the idea of units. It felt they would bring business to an area badly hit by the departure of the US Air Force from Upper Heyford, and would avoid adding to the stock of local rented dwellings. And, as the barns and farm are in the village area, they would not distort the traditional pattern of self-contained villages separated by fields that planners try to maintain.

When the scheme started NMA arranged the let through James Offen, Carlton's agent, and had the office fitted to its own specifications. NMA moved in just before Christmas. The staff enjoy the new freedom of a roomy office with high ceilings and windows that look out over fields.

Next door, Glass Gramophone asked for plenty of soundproofing in the walls of its recording studio. Nothing must disturb its work of cleaning the sound by removing the hiss, crackle and pop on discs by artists such as George Formby and Duke Ellington.

Carlton is pleased with the result although he admits it is strange having neighbours on the farm for the first time in many years.

Barns are, of course, commercial buildings. They were never intended to be homes and often do not convert well. For example, how do you put windows into long, blank walls designed to keep the elements away from the produce stored inside? How do you introduce an upper floor? Or cope with big barn doors, that open into what is, in effect, a great hall? In the 1980s, when buyers snapped up every manor, farmhouse and rectory in the country, barns were an easy substitute. Old and substantial, and as rooted in country life as seed-time and harvest, they offered instant heritage. But there have been plenty of bad conversions.

Besides offices, barns make fine workshops, theatres, concert halls, dance halls (real barn dance nights are back), restaurants and tea-rooms. All these uses can keep the excitement of the building's space and height, which is difficult in a barn made into a three or four-bedroom and two-bathroom house. But one objection planners may have to commercial use is a lack sufficient parking space.

Isolated barns are especially difficult. Some district councils will not allow conversions where the properties are in the middle of fields. So should they be left to become roofless ruins? Or be dismembered for their stone and slates? The unsentimental answer may be yes, either course may be appropriate. If a barn does not have a cottage attached, planners see no justification for a green-field single development breaking the habitation pattern.

Costs are also a factor: an isolated barn might need a long, solid drive and utilities are expensive to install over long distances. Councils also fear the barn-house might be the thin end of the wedge: applications for a tennis court or a swimming pool may follow.

Not all councils are so purist about isolated barns if new plans retain a building's character. English Heritage might become involved if the building is listed and in principle the organisation prefers commercial or community use to residential.

Whatever the use, buyers should check with local councils on what is allowed, and whether residential planning permission could change to commercial or vice versa. Sellers will almost certainly have obtained outline permission before putting the barn on the market.

Besides the units at Bucknell, three studio workshops in old farm buildings at Tresprison near Helston in Cornwall are available to rent from Philpott Homes.

Yorkshire Water is selling several barns and old farm buildings (some isolated) in the glorious country of the Washburn valley near Harrogate, in Yorkshire, through joint agents DTZ Debenham Thorpe and Dacre Son & Hartley. Prices start at £75,000. They need work but could be a good buy for tele-workers who require only a fax and a modem, and would like to arrange the conversion themselves.

Lane Fox offers a listed barn for £42,500 in the village of Moreton Pinkney, built in the typical Northamptonshire style of alternating courses of light and dark stone. A timber tithe barn, at Etchinghill, near Folkestone, Kent, comes to auction on January 28 in Maidstone. Auctioneer Clive Emson expects it to sell for about £65,000-£75,000. At West Marden, in the South Downs, Sussex, on the border with Hampshire, a brick and flint barn is available for £78,000 from Jackson-Stops. Its strict planning permission runs out in December.

Converted barns on offer include a timber barn at Pakenham, near Bury St Edmunds, Suffolk (Bedford, £175,000), and a group of farm buildings at Church Farm, near Castle Cary, Somerset (Jackson-Stops, Yeovil, from £140,000).

■ *Further information: Bedford, Bury St Edmunds (0284-769999); Dacre Son & Hartley, Otley (0943-463321); DTZ Debenham Thorpe, Wetherby (0937-583987); Clive Emson, Bearsted (0622-630033); Jackson-Stops, Chichester (0243-786316) and Yeovil (0935-74066); Lane Fox, Banbury (0295-273592); James Offen, Oxford (0865-512394); Philpott Homes, Helston (0326-573508). Strutt & Parker St Albans (0727-840285).*

Sailing

Racing 4,000 miles to a photo-finish

The third leg of the Whitbread race ends today. It will be close, says ***Keith Wheatley***

During the past three days the Tasman Sea has been almost a psychiatric ward for sailors. The Whitbread fleet has been converging on Auckland for probably the tightest finish of a single leg in the history of the race. Competitors have been just a few miles from rival yachts, desperately trying another sail combination or a better downwind angle in the hunt for another ounce of speed.

Kiwi nationalism is adding to the competitive spirit. Four of the leading half-dozen boats have either New Zealand crews or skippers. What the All Blacks are (or were) to rugby, so the NZ sailor is to professional yachting.

Ross Field, in charge of the W60 class *Yamaha*, is a typical example. With 24 hours of racing left, Field was in third place just 11 miles behind fellow New Zealander Chris Dickson at the helm of *Tokio*. Both yachts are funded by Japanese sponsors.

"Tension is rising and we know we've got a boat race on our hands. I get terrified every six hours just before we get a new position update on the computer," said Field over the Inmarsat link. Having been pre-race favourite in the W60 class, *Yamaha* has had a disappointing race so far but first place into Auckland's spectacular Waitemata Harbour would compensate for a great deal.

"We are carefully planning the slightest move on deck. Everyone aboard is aware that we can't afford the slightest mistake in either the way we sail the boat or the tactics."

British skipper Lawrie Smith, at the wheel of the pan-European W60 entry *Intrum Justitia*, is one of Field's tormentors. Several times the satellite race results system has shown them in joint first place with an exactly equal distance remaining to Auckland.

Since joining *Intrum* just a few days before the start to leg two, Smith has shown himself capable of finding extra speed in the radical and still somewhat unexplored W60 class. Just pointing the boat at the finish and trimming the main is no longer enough.

"A top helmsman can get another knot out of these W60s in comparison with a journeyman. They are that sensitive," he said. "Working the sails a bit you get another. Get the exact right sail up and you'll get another.

"Suddenly you're doing 17 knots rather than 14 and in a six hour period you've taken a big chunk out of the guys you're chasing."

This analysis certainly held good in the first few days at sea after leaving Fremantle. In that period *Winston*, skippered by the America's Cup legend Dennis Conner with six New Zealanders among the crew including co-skipper Brad Butterworth, made a brave and successful break.

This time last week *Winston* was 150 miles ahead of the nearest pursuer. The lead had been gained by diving south in the first days out of Fremantle. Conner's gamble paid off when his crew found stronger breezes on the bottom edge of the Roaring Forties.

However, Smith has justified his reputation as one of the most calculating minds in yacht racing. Choosing his own course and consistently moving a knot or so faster than the opposition by sailing better angles, he reeled in Conner and then passed him. Yesterday, *Winston* lay second, five miles behind *Tokio*.

Chris Dickson, driving *Tokio* with the single-minded determination which is his trademark, played much the same game as *Intrum*. However, in spite of Dickson's undoubted brilliance he may be too much of a one-man band on board. In the end-game of earlier legs he has helmed for up to 30 hours non-stop, but the knife-edge approach to Auckland has simply taken too long for that to be possible.

And in the middle of this knife-fight is the maxi-ketch *New Zealand Endeavour*. Although racing in a different class to the fleet W60s, skipper Grant Dalton has the most overpowering of reasons to want to lead the Whitbread armada into Auckland.

In the 1989/90 Whitbread he was in charge of *Fisher & Paykel*, the ketch that was narrowly beaten on every leg by *Steinlager II*. Dalton looked likely to be first into Auckland as the two yachts approached the outer reaches of Waitemata Harbour with *F&P* fractionally ahead. Off Bream Head a sudden squall knocked both boats flat. *Steinlager II* recovered quicker and crossed the line six minutes ahead.

Dalton's chagrin was agony to behold. This time he has had to endure the W60s overtaking *NZ Endeavour* as the breeze freshened, then regaining the overall lead as the weather went light once more.

"Morale had started to sag a little when the wind didn't moderate. Watching the 60s scream past doing two to three knots more than us was not a pretty sight," said Dalton. "Now if the weather stays light we've got every chance of being first in."

Allsport/Dave Branigan

Under sail: Winston racing through Fremantle harbour, at the start of the third leg of the Whitbread round-the-world race

Golf/**Jock Howard**

Winter greens

You know those calendars which show tiny greens perched precariously on clifftops, with minuscule tees 100ft below? I have news. Places like this really exist. I have recently played in one of the world's most unusual golf tournaments. It took place – as it does every year – in mid-winter, on the island of Arran, off the west coast of Scotland.

The Arran Challenge is held at Shiskine Golf Club, near the tiny fishing village of Blackwaterfoot. It is a curious tournament. It lasts 10 days, although most "foreign" competitors (anyone from the mainland) do not stay that long. You are required to play 36 holes although you can play as many practice rounds as you choose.

To describe the conditions while I was there as cold, wet and windy would be to fall a full-wedge short of accuracy. Most people would not have put a disobedient dog out in them. Players sat in the bar of the only hotel drinking Scotch broth and Scottish beer until they felt brave enough to go outside.

The course has only 12 holes. This is a much more convenient number than 18, since you can get around in a 1½ hours. The locals claim it is the only 12-hole course in the world (although I have it on good authority that others exist in Ireland and Australia).

The course is short, (six of the 12 holes are par-threes and only one is par five) but in spite of this, and in spite of the fact that several international golfers have played it, par was not broken for more than 40 years.

"We've had some Walker Cup players here," says John McLean, the tournament organiser (who will tell you without the hint of a smile that the course is as good as Augusta or Pebble Beach). "For some strange reason though, they never seem to score very well here. I think they underestimate it." The course was designed over the years by three Open champions, Willie Fernie, Willie Park and James Braid. Two attempts have been made to extend it to 18 holes, but world wars intervened on both occasions.

"The challenge starts well before you tee it up on the first," McLean said. "It doesn't finish when you sink your last putt either. Just getting to and from Arran at this time of year can be a test in itself."

To reach Blackwaterfoot, you must make your way to the depressed Ayrshire town of Ardrossan, board a ferry for the 70-minute crossing to Brodick, then journey 10 miles across mountains.

The course is eccentric. At the third hole you play to a slim post high in the sky some 130 yards away. The right club for distance is somewhere between a driver and a nine-iron, depending on the wind. The right instrument for elevation is anything from a catapult to a rocket launcher. There are reasonably handicapped golfers still trying to hit a wedge as high as you need to hit one here. The third is by no means an exception.

This is old-fashioned golf at its most capricious. There are blind shots galore (three on the first three holes) and marker-posts everywhere. At the second, a par-four of 375 yards, there is a blind second shot. Fair enough. What some would argue is not quite so fair is the Swilcan-type burn which hides like a trip-wire at the front of the green.

As far as I know there were no Walker Cup players this year, just a bunch of rough and ready hackers willing to pit themselves against the sheep and the elements. Legend has it that Americans and Australians have travelled over for the event, but I saw no evidence of them either.

I did not win the Arran Challenge. It was won by a local. No surprise there, locals have won for the last three years. Because the competition lasts 10 days, they have the advantage of being able to wait for a gap in the wind and rain before darting out to play their rounds. Some of us had to catch the ferry. We feared that the weather would set in, the ferry would not sail and we would be stuck on the island.

Winter Olympics/**Keith Wheatley**

Hard climb to the downhill

Cities that bid passionately for the Olympic Games tend towards an envious belief that once the Good Fairy of the International Olympic Committee has granted her benediction everything will be wonderful. Some of the winning cities know different, however.

Lillehammer, for example. When Gerhard Heiberg, one of Norway's leading industrialists, was drafted in to head the country's Winter Olympics project one year after Lillehammer received the IOC's nod, he found chaos.

"There were no budgets, no schedule. People thought the government would pay for everything," recalled Heiberg, 54.

Three weeks before the Games open, on February 12, Heiberg sits in his Lillehammer office a calm man. Every venue is completed, tested and polished. Sponsors are in place and happy. Income is running ahead of budget – although Oslo will still pick up two-thirds of the total £650m cost of the Olympiad.

"In Norway things have to happen in a calm, well-planned way or everyone gets very nervous," said Heiberg. He spends two days a week in Lillehammer, on secondment from his full-time job as chairman of the Aker group. "Last-minute changes are not at all the Nordic style."

I commented on the contrast between Lillehammer and Barcelona 1992 – where workmen were often still completing Olympic sites with an hour to go. Heiberg shudders at the thought. "Latins are much more flexible – for good or bad," he said. "But I can tell you that we could start the Games tomorrow if asked to."

When a skier clutching the Olympic torch leaps off the Lysgardsbakkene ski jump, visible from Lillehammer's main street, to begin the opening ceremony, it is certain that the world will pay more attention than ever before to the Games of snow and ice.

One reason is the shift of the Olympic calendar so that winter and summer Games alternate every two years. Previously they occurred in the same year – such as Albertville followed by Barcelona – making life difficult for everyone from sponsors to TV broadcasters.

"It will enable the winter games to come into their own and grow, rather than be the Little event before the Big event," predicted Juan Antonio Samaranch, IOC President. That has certainly been true internationally. What has especially helped the 1994 Games achieve lift-off in Norway is the country's success in Albertville two years earlier.

Its skiers and skaters achieved nine golds out of a total of 21 medals, second overall to Germany. It was an extraordinary performance for a country of only 4m people, where many disciplines such as Alpine skiing and bob-sleighing are quite alien to a pragmatic sports culture of cross-country skiing and skating.

"We were very fortunate that this happened just two years before Lillehammer. It created a wave of enthusiasm," added Heiberg. "At a time of rising unemployment and economic worries Norwegians wanted a cause to believe in."

His style was to lead from the front. When the downhill course opened at Kvitfjell, 15km north of Lillehammer, Heiberg was the first person to make the descent; the gradient touches 60 per cent in places. Top skiers such as Alberto Tomba have said it is one of the toughest tracks in the world.

"I was scared like never before in my life – until they persuaded me to open the bobsleigh track. To this day my legs still shake when I think about the bobsleigh. Nothing could make me do it again," said Heiberg, who claims his managerial style is to delegate everything.

Media moguls and IOC dignitaries alike will find themselves housed in a simple Nordic style that is far from their custom. Lillehammer is a tiny town (20,000 people) that aims to remain somewhere James Stewart could retire to.

"Some of the Olympic committee members coming here won't be happy," said Heiberg, who knows full well that the IOC members have a built-in default to first-class. "We don't have any five-star hotels here and we're not interested in building any.

"This is a beautiful agricultural part of the country with long traditions. Why should we build something looking like Japan or America? I told Mr Samaranch four years ago that we are going to do these Games the Norwegian way."

Tennis/**John Barrett**

An uncertain start

The great appeal of sport is its uncertainty. When Steffi Graf is two service breaks down in the third set against Jana Novotna in the Wimbledon final, you wonder, can she escape? When England are three points ahead of New Zealand at Twickenham with five minutes to go you ask, can they hold out? When Australia have lost nine wickets against England at Lords and need 10 runs in the last two overs for victory, you agonise, will they survive?

The uncertainty principle was at work this week in Melbourne. I do not remember as exciting an opening to a Grand Slam Championship as we have had during the first three days of the Ford Australian Open. On three successive days in the first round the three top ranked men in the world were all in serious danger of losing. Two survived, but only just. The third was beaten.

There was no clue on day one that the two-time defending champion, Jim Courier, seeded three, would have any trouble from fellow American, Bryan Shelton, the first black player to win a tournament since Arthur Ashe. True, they had never played before but, with a world ranking down from a high of 55 in 1992 to 99, the 28-year-old Shelton was hardly expected to offer more than token resistance to the toughest match player in the business.

Enter the uncertainty principle. Courier was not quite ready for a full frontal assault from a serve-and-volley terrier who had decided to risk all on big shots, even if it meant conceding points on extravagant errors. It almost worked. From the first ball Shelton chipped and charged, lunged and leapt with an enthusiasm that was infectious. Even before he broke the champion in the ninth game Shelton had won over his Aussie audience. They like a scrapper, and they showed it as Shelton won the set 6-4. "I was thoroughly enjoying the experience and I think they saw that in my face," he said later.

Courier regrouped in the second set and swept through it in 43 minutes. This was more like it! A break in the opening game of the third set should have cracked Shelton's spirit. Not a bit of it! He broke back at once, survived four break points on his own serve in the ninth game and then raced to 6-1 in the tie-break. Courier clawed back to 4-6 but was powerless as Shelton pounced on a short ball to ram a forehand volley fast and true across the advancing Courier.

Order was restored in the fourth set as Courier brought himself level.

No-one was ready for what followed. Courier was broken in the opening game of the fifth. Shelton raced to 3-1 and then had the champion 0-40 on his serve. An upset was about to happen.

Enter the uncertainty principle. In spite of a 14th double fault, Courier wriggled free and held his serve. Shelton was broken in the next game as he delivered a 19th double fault. The momentum had swung to Courier and he broke again in the last game for a 4-6 6-1 6-7 6-2 6-4 victory that had spanned four hours and 42 thrilling minutes. "At 3-1 I was already preparing my acceptance speech," said the loser. "But Jim played well and I've got to hand it to him – when the chips were down he played some great shots."

On day two it was the turn of another black American to step into the spotlight. MaliVai Washington, a 24-year-old right-hander, ranked 26th in the world, had lost all four of his matches against Michael Stich. Their latest meeting, at last December's Grand Slam Cup had been a simple 6-3 6-1 affair. But in Melbourne in 1992 Washington had led by two sets to love.

No one, least of all Washington, was quite prepared for Stich's poor form. The hero of Germany's recent Davis Cup success and the winner of last year's ATP Tour Championship should have been brimful of confidence. But his normally reliable backhand simply refused to function and his serve was not the lethal weapon it has been. Washington had something to spare in his 7-6 6-3 3-6 6-2 victory.

"It's the best win I've had in a long time and it's nice to beat the number two guy in the world," he said. Stich had no excuses: "He hung in there and didn't make as many unforced errors as I made. I just played a terrible match."

On Wednesday when an unheralded Russian, 19-year-old Yevgeny Kafelnikov from the Black Sea town of Sochi, pushed the world No 1 Pete Sampras to the limit. After dividing the first four sets they produced some dazzling tennis in a fifth. Tall and slight, the fair-haired Kafelnikov returned the Sampras serve with impudent assurance. A 3-1 American lead was wiped out with some glorious driving that had Sampras shaking his head in disbelief. "He has some of the best groundies I've ever played against," said Sampras. "He's going to be in the top 20, if not better, in the next couple of years."

With Kafelnikov leading 5-4, Sampras was just two points from defeat on his service. The reigning Wimbledon and US Open champion refused to panic and won the next two points. The 6-5 lead to Kafelnikov became 6-6 with another solid American service game. After a long struggle Sampras broke for 7-6. This, surely was the end.

With remarkable coolness the youngster hit three stunning returns. Now it was 7-7. How would it end? The question was answered in the next game when Kafelnikov tried to stretch his cramping left leg. He could no longer find the service power that had embarrassed Sampras. The Russian lost his serve and was powerless against two huge Sampras aces as the American held serve for victory. "It was a big scare for me ... I could easily have lost that match," he said.

This inspiring match had lasted three hours, 25 minutes with the result in doubt until the last. Long live uncertainty!

Mark Baker/Reuters

Normal service: Ivan Lendl beat Paul Haarhuis 4-6, 6-2, 6-2, 6-4 yesterday and will next meet Pete Sampras

BOOKS

Poet laureate of the politically incorrect

Anthony Curtis takes a look at the life and work of Rudyard Kipling

"And a woman is only a woman: but a good cigar is a Smoke". "Take up the White Man's Burden/ Send forth the best ye breed..."

It is difficult to think of another English poet – apart from Shakespeare – who has had so many of his lines turned into popular sayings as Kipling's were. The most memorable seem today to be the epitome of political incorrectness. Even so Kipling sprawls across seven pages of the *Oxford Dictionary of Quotations* while Donne, say, is contained in three and a half.

The last time Penguin gave us an edition of Kipling's poems – in 1977 at £1.25 – it was called Rudyard Kipling: *Selected Verse*. In Peter Keating's selection just published the word "Verse" in the title has been replaced by "Poems", and in his critical book that appears at the same time Keating argues forcefully that Kipling was a true poet, not just a writer of verse.

Kipling himself always referred to his poetry as verse to distinguish it from the outpourings of the fin-de-siècle poets who were his contemporaries. When in 1941 T.S. Eliot began the work of bringing Kipling the poet in from the cold by writing an essay on him, followed by a selection of his poems, he called this *A Choice of Kipling's Verse*, thus perpetuating the second division term. Kipling's posthumous respectability as a poet dates from Eliot's selection even though Leavis and others vehemently demurred.

Eliot's selection was widely reviewed and prompted two additional important reappraisals, by Orwell and by Auden. They declared themselves to be admirers but revealed, as Eliot had done, just how difficult it is to define Kipling's poetic merits in the light of a tradition that includes Shakespeare, Donne and Yeats. Orwell came to the conclusion that Kipling was a "good bad poet".

Auden felt that Kipling's poems "...have the air of brilliant tactical improvisations to overcome sudden unforeseen obstacles..." He also suggested that, despite their amazing variety of material, the poems present a recurring situation, the danger of encirclement "...by inanimate forces, the Picts beyond the Roman Wall, ... the Danes, the Dutch, the Huns, the 'new caught sullen peoples half devil and half child', even the Female of the Species."

Kipling's muse began to work overtime when he was a pupil at the United Services College in Devon and for the rest of his life it never stopped. His father published his juvenilia in Lahore in 1881 as *Schoolboy Lyrics*. Half a century and hundreds of poems later, Kipling published "Storm Cone" in the *Morning Post*. In this poem he warned his countrymen of the threat posed by a resurgent Nazified Germany. Four years later, in 1936, Kipling died.

"The present book" says Keating "is not only a study of Kipling as a poet, but also a life of Kipling as revealed in his poetry." Because Kipling responded as a poet so strongly to contemporary events it does help to know the historical and biographical background. Here Keating, formerly an English don at the University of Edinburgh, is at his most useful. His explanations complement those given in 1973 by Charles Carrington in his edition of The Complete Barrack-Room *Ballads*.

RUDYARD KIPLING: SELECTED POEMS
edited by Peter Keating
Penguin £5.99, 229 pages

KIPLING THE POET
by Peter Keating
Secker & Warburg £25, 270 pages

Keating, for example, further elucidates one of Kipling's most celebrated poems "The Absent-Minded Beggar". It appeared first in the Daily Mail in 1899 at the height of the Boer War. Its intention – hugely successful – was to raise money for serving men's wives and families. Hence the odd title: the beggar's (ie the duffer's, ie the soldier's) "absent-mindedness" about his family's needs was a typically ironical touch:

"When you've shouted 'Rule Britannia,' when you've sung 'God Save the Queen,'

When you've finished killing Kruger with your mouth,

Will you kindly drop a shilling in my little tambourine

For a gentleman in khaki ordered south?"

Keating points to the time when Kipling was living in Villiers Street, by Charing Cross Station, almost next door to Gatti's, one of the Victorian Music Halls, and shows how cunningly he adapted the catchy rollicking rhythms of the popular Cockney songsters to his needs.

As a patriotic gesture Kipling waived his copyright in "The Absent-Minded Beggar" and the poem spread like wildfire. Sullivan set it to music, Lily Langtry recited it on stage, it appeared on handkerchiefs, scarves, biscuit barrels. There was even a backlash from the great Albert Chevalier who sang a parody of it suggesting there were more deserving causes in the inner cities. "Through the roll of the drums hear the cry from the slums, and pay! pay! pay!"

It clearly belongs with the *Barrack-Room Ballads* (first published in book-form in 1892) though Kipling did not put it in a book of poems until 1914. It is through the Ballads that Kipling as a poet makes his greatest appeal. Enjoyable to read to oneself they work even better in performance. Keating comments on their use of Cockney dialect, their roots in the dramatic monologue, the way succeeding collections reflected Kipling's shifting points of focus, from land to sea, from common soldier to ship's engineer (see that magnificent Calvinist ballad "McAndrew's Hymn"), from India to South Africa.

But Keating also shows how much more there was to Kipling as a poet than the Ballads - verses celebrating his love of the Sussex countryside, imitations of Horace, the terse epitaphs during the first world war (in which Kipling's son was killed) in the manner of the Greek Anthology, elegies, protest and didactic poems, poems about animals and nursery lyrics.

Keating succeeds in plotting the course of Kipling's life exclusively through discussion of his poetry; but, as he says, a peculiar feature of that poetry was how frequently poems were written as an accompaniment to Kipling's stories. Whereas many writers of fiction head a chapter with a quotation from a poem, Kipling often wrote whole poems to serve as chapter-headings and end-pieces. Several of these poems then took on lives of their own in revised or expanded form.

"If", Kipling's best-known poem, is a prime example of this process. It first appeared as the closing poem to the story "A Priest in Spite of Himself" in *Rewards and Fairies*. Kipling said this poem was based on Dr L S Jameson, leader of the Jameson Raid. Keating sheds a flood of light on many poems by tracking them back to their places of origin. Both confirmed Kiplingites and those taking Kipling up for one more try are likely to benefit from Keating's work.

Thrilled to bits by new trends

J.D.F. Jones finds today's private eyes have nothing whatsoever in common with Miss Marple

Not all of us read Tolstoy every night of the week. Some of us need to take a break. My colleague William Weaver, for example, when he relaxes from his work translating fiendishly high-brow Italian novels, reads a crime story or two after supper.

This is the area where the thriller – when it is not an ambitious foray into the art of fiction, as with Greene or Le Carré – has its principal, useful and decent function: to entertain. Usually there is little for reviewers to say about a new thriller because of most of the writers, including some of the most successful, work to a formula. When the new Gerald Seymour (The *Fighting Man*, HarperCollins £14.99) or Colin Forbes (*The Power*, Pan £14.99) appears in the bookshops the reader knows what to expect and critical comment is usually superfluous. But the genre has another fascination – the search for the unusual, the off-beat, the fresh talent, a new trend.

Some of the best fun I have had this winter has come from Susan Wittig Albert, who has produced a genuinely new version of the American woman private eye, a breed which no longer seems as startling as she did when Sara Paretsky created V.I. Warshawski, when Liza Cody gave us Anna Lee, and before everyone else piled in with formidable heroines who have nothing whatsoever in common with Miss Marple.

Ms Albert's first novel, Thyme Of Death (£7.99, 260 pages, in paperback-original) is published in the imaginative Mask Noir list of *Serpent's Tail*. Her heroine is China Bayles, a feisty feminist lawyer light years distant from the mean Chicago streets of Paretsky, who has thrown up her profession to open a herb shop in Pecan Springs, deep in the heart of Texas.

China has her shop and her ex-cop boyfriend and her New Age neighbour and a relish for the simple charms of smalltown daily life. Then the murders start, the TV personality arrives in town, the lesbian intrigues multiply, the boyfriend wants a wife, not an independent woman friend. It is splendid entertainment and certainly makes a change after Anna Karenina. The only weaknesses are that the villain is inadequately developed and we (men) are told more than we want to know about cooking and clothes, but such blemishes can be forgiven – after all, we try to forget that V.I. Warshawski's second name is Iphigenia.

★

Another oddball discovery this season is Alan Davidson's Something Quite Big (Prospect *Books* £9.99, 286 pages). Davidson is the *fish* man – the British ex-ambassador who has written prize-winning books about fish and the cooking of them – and it is now revealed that, 20 years ago when he was a diplomat at NATO, he wrote what his publisher correctly describes as "a romantic thriller". The idiots at the Foreign Office forbade its publication, and no doubt vetoed his "K" when he had it printed privately.

At last it is available, and turns out to be an absolute delight, amateurish, non-violent, erudite, sentimental, and utterly unlike any other thriller that will be published this year. The plot has to do with the kidnapping of an entire Senior Political Committee of NATO diplomats by a gang of (before their time) environmentalists. It is very much an insider's joke about the profession of diplomacy (the abducted officials happily settle down to an exercise in drafting a communique) but the joke is accessible and the result can only be described as charming. It does not matter that the dialogue also reads like a communique. Perhaps it should be reviewed by our Diplomatic Correspondent.

★

Once upon a time Michael Dobbs, Mrs Thatcher's youthful aide, was also an amateur and apprentice thriller writer. That was how he created the villain of the decade, Francis Urquhart, in *House of Cards* (much helped by Ian Richardson's TV performances). Now Dobbs has become the professional, but he will need more than Richardson to rescue his latest, *The Touch Of Innocents* (HarperCollins £9.99, 271 pages).

Again we are offered an allegedly insider-view. There is a dastardly and charismatic Defence Secretary ("A man, like a good malt, improving with age. And moist, pale blue eyes": who he?); a star woman television journalist; a contract for the Duster joint-venture fighter aircraft; a politician's daughter on drugs... But it is a curiously incoherent, ill-paced tale, not helped by an evident obligation to appeal to the American market: it turns out to be "about" a woman's independence, motherhood, custody, which is all very fine except that this has to be inserted into the routine formulas of the "political thriller". Our Political Editor has sent it back to me.

★

Once upon a time Peter Driscoll wrote a good thriller, *The Wilby Conspiracy*, which was turned into an even better film with Nicol Williamson. His latest, Spoils Of War (Bantam £15.99, 318 pages) is routine stuff set in Iraq and Kuwait after the Gulf War and redeemed by the quality of the local detail. There are various Arab villains, a breaking marriage, sympathy for the Kurds, a rather pale hero. It deserves to be reviewed by our Middle East Editor.

★

Tim Sebastian is one of the TV reporters who have cashed in on their fragile fame to produce best-sellers purporting to tell the story behind the news. Special Relations (Orion £14.99, 308 pages) is based on the corniest idea of 1994, that the US President and the British prime minister (female) had a grand affair 30 years ago in Oxford and have had no contact with each other since then. Now they have to sort out a crisis about missile silos in the Ukraine.

"[He] 'You feel just the same'. [She] 'There's more of me'. She turned towards him and ran her hand down his stomach. 'And there's less of you'. [He] 'That's not very flattering'. She giggled again. 'I didn't mean there. I meant your waist...'"

Who on earth can these people be? I must ask our Defence Correspondent.

Lost in the moral maze

Years ago John Sparrow, then Warden of All Souls and not noted for his Christian piety, was seen to take the chaplain of Winchester College by the elbow after attending Morning Chapel. "That was a most interesting hymn we sang just now. 'New sins forgiven'. Do drop me a card with the latest list."

Social rules are as old as human culture and the breaking of them just as old. They are constantly evolving and diverging, even to the point that different cultures or successive generations may hold rules which are contradictory. Oliver Thomson has attempted to map the vast range and variety of these social norms, especially the nasty ones.

History of Sin falls into two main sections with a brief epilogue, in which he tries to peer in to the future. The first section is designated "The Nature of Moralities"; the second is an extended canter through human civilisation from 1,500,000 years BC to 1992 AD.

In the process Mr Thomson demonstrates a breadth of reading which is mind-boggling. There are over 400 books listed in the Bibliography, and a note that the list does not include the Holy Books of the great religions.

The author's canvas is global, would-be cosmic. One has a feeling that he would love to be able to list some strange barbaric customs culled from the Third Planet of Alpha Centauri. A hitchhiker's guide to the ethical systems of the Galaxy must surely be his next endeavour.

The enterprise is of course potentially fascinating; a comparative anthropology of the development of morals pursued with intellectual rigour and with a sustained thesis is likely to be enlightening. But the sheer mass of material and the multitude of generalisations drawn from the exhaustive collage of instances he has collected make it difficult to find here any coherent analysis. Mr Thomson is more concerned about public policy than with personal morality.

A HISTORY OF SIN
by Oliver Thomson
Canongate Press £17.99, 278 pages

Reading between the lines one may sense a deeply compassionate man struggling with the perennial beastliness of human beings who have so persistently quenched the small flames of compassion, cooperation and altruism under a tide of cruelty and institutional violence and then compounded the felony by commending barbaric customs as virtues. Accumulating multitudes of instances does add colour; the virtues, but more the vices, of other peoples and ages have undoubted fascination.

Open the book on any page and the eye will be caught by an intriguing instance or illustration. (Nothing prurient.) Did you know that Timur the Lame built a tower of 70,000 skulls? That in Bombay it was at one time a capital offence to paint a moustache on a sleeping woman? That the Amish people forbade buttons? Do you know about cannibalism, pederasty, human sacrifice or ritual prostitution from the Andes to Tibet? About anitsemitism, racism, the Inquisition? About flagellation or fanatical puritanism? Here it is docketed and dated. But the endless listing and enumerating of instances eventually reduces history to natural history – row after row of butterflies pinned on a board.

Too much detail is not the only problem. There are significant but undefined distinctions between ethics, morals, cultural norms and social taboos. Fashions in shoes are different from issues of justice and mercy. The language context of sin is normally religious; it is an offence against the Divine. "Immorality" has a different language context, so does "ethical". There is not enough account of the progress of moral philosophy without which ethical analysis is impossible. The result is the relativisation of all moral judgment which leads in turn to the inevitable frustration of any attempt to write a history of sin except as an immense collection of learned vignettes with commentary.

Hugh Dickinson

Detail from Cranach's 'Adam and Eve in the Garden of Eden'

The Iceman cometh

To call this "the archaeological event of the century" smacks of hyperbole. The man who was hacked out of a glacier in the Tyrolean Alps in September 1991 may have been over 5,000 years old, but he was not a chieftain or a demi-god. He bore no fine insignia, commanded no great armies, patronised no bards and had no stores of gold. Nameless, illiterate, astray from his home, he was found by chance; and he survives in spite of, not because of, the clumsy effort to extract him from the ice. His promotion as the Tutankhamun of the North seems thoroughly perverse.

Yet the Iceman commands our imagination in ways a pharaoh never could. No doubt he led a wolfish and niggardly life, but his simple masteries of Alpine subsistence will appeal to anyone with a flinty spark of the Boy Scout in them. He carried a pannier on his back, whose frame was made of hazel wands and larch wood. He wore an impervious belt pouch, with fire-kindling devices inside.

Two containers, made of birch bark, were found near his body; his last meal had been of dried ibex, perhaps from an animal he had earlier dispatched with his bow. At the time of his death, he was carrying a slightly unfinished yew bow-stave; and the contents of his deerhide quiver reveal that he had some work to do on his arrows, too. A small flint dagger served as his penknife, and he also had a copper-bladed axe, which the first discoverers of the Iceman took to be a quaint Victorian ice-pick. All these items bespeak an enviable ingenuity, and the sort of survival skills which a modern commando would hardly match.

Tenderly documented in this book, the Iceman's clothes are particularly instructive. He wore a knee-length cape of plaited grass, a snug bell-shaped cap, and various layers and leggings of leather and fur: his leather bootees were grass-upholstered too. But of course the insulation was not enough. Trapped in bad weather at an altitude of over 3,000 metres, he lay down, probably exhausted. In a short while he was frozen under a pelt of snow.

THE MAN IN THE ICE
by Konrad Spindler
Weidenfeld & Nicolson £18.99 305 pages

And that makes a second claim upon us. Pity rises easily for this proto-*Alpiniste*. Just as, with the wretched people of Pompeii, one can rebuild a melodrama from the figures caught in Vesuvian ash, so a mixture of fantasy and detection yields a story for this wizened nonentity. The romance concocted by Professor Spindler is that the Iceman was escaping a local pogrom, in which his village had been destroyed. He may have escaped after a struggle, for several of his ribs were recently broken before his death; at thirtysomething, he may have lost all that he loved (including his best bow). Perhaps a Neolithic Titus Oates, the poignant loneliness of his end is only tempered by the consolation of his archaeological utility. Fully-dressed and equipped Europeans of 3000 BC have never been preserved like this before: for proper burial normally ensures their organic reintegration with the world. The Iceman's loss of rights, then, is a scientific gain.

In this book, and elsewhere, the Iceman has achieved a type of saintliness. It is born of his portable herbal nostrums, his epic little journeyings, his wisely-made accoutrements: all of which say more about modern yearnings for the state of noble savagery, not our passion for Neolithic knowledge. But there may be one predominant subliminal motive for canonising the Iceman. According to a Swedish system of determining kinship amongst populations, a man who lived over 5,000 years ago has a certain ratio of generational contact extended over the centuries. In short, as Professor Spindler puts it, the Iceman "must be distantly related to us all."

Nigel Spivey

ARTS

Cultural tug-of-war divides Scots

***James Buxton** reports on the row over Scotland's new National Gallery*

The room was designed to seat 250; in the event, 1,000 turned up. University lecturers in tweed jackets stood alongside old ladies in mackintoshes, young women tending babies and at least one judge of the court of session at the meeting earlier this week to protest against the decision by the National Galleries of Scotland to locate a new gallery not in the Scottish capital, but in Glasgow.

It was the climax of a controversy which has been the chief talking point of Scotland's chattering classes since early December. Each day there have been broadsides in the letters and features pages of The Scotsman. Last week its Glasgow rival The Herald devoted four pages to the issue. Next week it will be debated in the House of Lords.

The controversy involves not just art but Scottish nationalism and the perpetual rivalry of Scotland's two biggest cities.

It concerns a plan to create a National Gallery of Scottish Art, intended to tell the history of Scotland and its art. It will take paintings by Scottish artists from two Edinburgh galleries, the National Gallery of Scotland on The Mound, and the Gallery of Modern Art. It will also absorb the entire Scottish National Portrait Gallery, also in Edinburgh, which will close. The new institution will be built at Kelvingrove Park in Glasgow.

The idea of creating a National Gallery of Scottish Art was launched in 1991 by Timothy Clifford, the ebullient Englishman who is director of the National Galleries of Scotland, and by Angus Grossart, the terse merchant banker who is chairman of the galleries' trustees.

It sprang from a desire to relieve the serious shortage of space in the Edinburgh galleries, which means that paintings by Scottish artists have to be taken down to provide space for exhibitions, while hundreds of Scottish paintings lie in store.

The Portrait Gallery's collection of paintings of leading Scotsmen and women over the centuries would form the nucleus of the new gallery, blended with other paintings by Scottish artists such as Raeburn, Wilkie and Cadell from the National Gallery and the Gallery of Modern Art. It would tell the history of Scotland visually. Landscape paintings would illustrate Scotland's geology and topography.

At the time Clifford said Edinburgh was the most logical place for the new gallery, but added: "It is up to Glasgow to come up with wonderful proposals. We are ready to be seduced."

That is exactly what happened. Whereas Edinburgh reacted sluggishly, Glasgow with typical assertiveness offered the trustees several locations, promised to lend the new gallery some of its best paintings and commissioned architects such as Sir Norman Foster and Terry Farrell to produce designs.

Glasgow consistently made the running: a consultants' study showed that on economic grounds Glasgow was the best location: the sites were cheaper, the population was bigger and the existing Kelvingrove art gallery and museum had higher attendances than the Edinburgh galleries.

The ten trustees repeatedly postponed a decision. But in the end the economic arguments for Glasgow, reinforced by the knowledge that the trustees represent Scotland rather than Edinburgh (several of them come from Glasgow) made Kelvingrove inevitable. It was announced on November 30.

People in Edinburgh reacted with horror to what had happened. The decision meant that some of the best-loved paintings would leave Edinburgh for Glasgow. Raeburn's famous picture of the Reverend Robert Walker skating on Duddingston Loch – which the gallery uses as its logo – would go for some years to Kelvingrove.

The rights and wrongs of a National Gallery of Scottish Art had been debated intermittently since 1991. Now the arguments against it came pouring out. They boil down to two.

First, the new institution would mean herding Scottish art into a ghetto. As Julian Spalding, director of Glasgow's Art Galleries, said in 1991 (he has since changed his mind) the most successful galleries in other countries try to cross-fertilise the art of different nations rather than separating them into compartments.

By the same token it would severely weaken the National Gallery. Though the gallery has listed those Scottish paintings that will stay, art historian Duncan Macmillan says the Scottish collections should be the heart of the National Gallery. "Without them it becomes the National Gallery of Nowhere in Particular, or perhaps the International Gallery of Anywhere Else but Scotland."

Secondly, the new institution means destroying the Portrait Gallery, created in 1889 and one of only three in the world. Paul Scott, a leading campaigner, calls it one of the most treasured possessions of the Scottish people: it should be kept intact and remain in the Scottish capital. It is this which arouses the strongest feelings.

At this week's public meeting Clifford defended his plan and Spalding pricked a few consciences when he asked: "If the Portrait Gallery was closing and if Edinburgh had been successful in the bid it made [to have the new gallery] would you all be here tonight?"

Edinburgh campaigners say they do not object to a new gallery being built somewhere else, even Glasgow, but with a different configuration. But they voted overwhelmingly for the trustees to reconsider or resign. None of the trustees was present.

Yet even if the trustees stick to their decision it is far from certain that the new gallery will go ahead. The Scottish Office has said that it will not contribute to the £20m cost. Glasgow may stand a better chance than Edinburgh of qualifying for EU funding but this is far from certain. Grossart talks of tapping private donors and getting money from the National Lottery or the Millennium Fund. But it is difficult to believe that the government, which will control those funds, would direct them to a project which so many people oppose.

Increasingly eyes are turning to Ian Lang, the Scottish secretary. He has the final say and could veto the scheme or order a review. To many people, possibly including some of the trustees, that might come as a relief.

Off the Wall/**Antony Thorncroft**

Small fish in a big pond

Lady Thatcher liked the idea of her statue mounted above the English entrance to the Channel tunnel – "Britannia resisting the Continental Hordes", perhaps. But Eurotunnel, niggled by her failure to provide Government cash for the enterprise, ignored the suggestion. Now the greatest building project of the century seems doomed to be completed with only a minimal contribution from the artists of the age.

But when passengers start to arrive at Waterloo later this summer to catch the direct train to Paris, they will be greeted in Nicholas Grimshaw's award winning new terminal with one lone, but striking, work of art – "Channel Fish" by the French artist Jean-Luc Vilmouth.

Vilmouth is the winner of a competition organised by Public Art, the group responsible for locating art in the environment, against competition from, among 80 others, Ron Haseldon, Simon Patterson, and Peter Greenaway. The French artist's concept is piscine – fish made of steel mesh coated with fibre glass and suspended from the ceiling. These are not static fish. They wriggle, and to spectators in the first floor waiting room they will resemble a shoal of fish weaving in formation down the curve of Grimshaw's opaque building.

The sole artistic haul from the Channel Tunnel is half a dozen French fish

At the moment five fish, varying in length from three to five metres, are guaranteed, thanks to a £70,000 contribution from the BR subsidiary looking after the rail link, European Passenger Services, boosted with £24,000 under the government funded Business Sponsorship Incentive Scheme. But an extra £40,000 is needed to acquire another five fish to make up a decent shoal, and companies likely to profit from the Tunnel are being approached for support.

The fish are sand eels, a delicacy in France but not familiar in the UK. Vilmouth is best known for an installation in Grenoble, 70 metres long and featuring hammers pattering on to clocks. Public works of art are compulsory in official buildings in France; this has led to much bad art but also a tradition of municipal and corporate patronage.

In the UK, public art is still not widely accepted but this could be changing. The £1m invested by Stuart Lipton in sculptures for his Broadgate development in London has more than paid for themselves in prompt lettings and popular approval, while Birmingham's International Convention Centre is another successful project heavily endowed with art, selected by Public Art.

It remains a reproach to all involved that the sole artistic haul from the Channel tunnel is half a dozen French fish.

★

It was always predicted that 1994 would be the year that the arts would suffer from lower government and local authority grants, reduced sponsorship, and falling box office revenue. The consequences have arrived early.

As usual the smallest have come off worst. Ten arts organisations in London, including Double Edge theatre group, Greenwich Mural Workshop, and Islington Arts Factory, have lost their London Arts Board grants. The LAB, faced with a 2.25 per cent reduction from the Arts Council, has kept things ticking over with standstill grants for most of its 140 clients. A few special cases, such as the Drill Hall and Camden Arts Centre, get good uplifts, but it is curtains for the ten. Timothy Mason, LAB's chief executive, is trying to bolster regional arts groups in the capital at the expense of small neighbourhood activists.

At the other extreme Jeremy Isaacs, general director at Covent Garden, must decide soon whether to drop one of the most awaited productions of the season, Puccini's *La fanciulla del West*, with Domingo scheduled to appear twice and Gwyneth Jones making what could be her last appearances at the Garden. With a frozen Arts Council grant, and box office below target, Isaacs is tempted to replace this expensive opera with another revival, *Tosca*. This is what cuts in arts funding mean – not wholesale closures but candle-end economies.

It also means taking fewer risks. Another hard pressed opera company, Welsh National Opera, is also dropping a planned production, Smetana's *The Two Widows*, which opened recently to mixed reviews at the London Coliseum. It would look much better on the WNO's small Cardiff stage but it cannot afford to take chances at the box office.

Finally the Barbican has rationalised away 15 jobs from the 172 employed in the City of London's arts centre. Here again falling revenues has been the driving force behind greater efficiency.

Acrostic competition

Shakespearian sonnets and Spenserian stanzas, free verse, carols, cantatas and choruses, poems in French and in Italian were all inspired by our John Major acrostic competition. There were literary ruminations on the state of both the nation and the England cricket team - and, less predictably, on the nature of John and Norma's love life.

Runner-up was Bernard McGinley of London with an extract from his lively literary epic The Blokiad. There were two winners. William Hopkin, aged 8, gave us haiku which began:

John Major,
On his nose
Has spectacles
Not freckles.

A book token, rather than a bottle of champagne, goes to William - if only he would send us his address, which he omitted to include on his entry.

The alliterative acrostic of joint winner R.E. Hurst of Yorkshire was as much fun to recite as it is to read:

Juggling, jinking, jollying, jetting
Owling, scowling, opting-outing
Hushing, halting, hamming, hailing,
Never nothing, nothing nailing...

A magnum of champagne is on its way.

The most inventive and visceral director in modern America: Martin Scorsese turns his attention to romance and restraint

Scorsese the celluloid crusader

***Nigel Andrews** asks the director why he has exchanged blood and bullets for Merchant-Ivory finery*

When people heard that Martin Scorsese was to film Edith Wharton's novel *The Age Of Innocence* (opening in Britain next week), it was open day for the jokesters. "Raging bull in a china shop!" cracked some. "Genteelfellas!" quipped others. We live in a world where directors are typecast as much as film stars: so what *was* a man famed for spraying audiences with blood and bullets doing making a film for the James Ivory school of *fin-de-siècle* finery?

Scorsese fans have long claimed him as the most inventive and visceral director in modern America: the man who in films like *Mean Streets* and *Taxi Driver* turned film grammar on its head and showed that cogent storytelling could go hand-in-hand with dazzling stylistic adventurism. Scorsese in person is a small, manic, dapper man with machine-gun speech patterns. Ask him why he was drawn to Wharton's turn-of-the-century tale of high society and best behaviour – of hearts never allowed to show they are broken – and he quickly shoots holes in the stereotyped image of himself.

"There are different types of film I'm interested in making, and they're not necessarily the kind I made in the 1970s. It's twenty years since I made *Mean Streets! Age Of Innocence* came out of a reflective period in my life, when I wanted to make a 'romantic' film. At the same time I wanted to find a modern way to tell a period story."

Modern – but let no one rush off to the movie expecting 'F'-words or Robert De Niro crashing through the French windows waving an automatic. By modern Scorsese means – well, what he has always meant. "You don't just film the material. You re-interpret every scene through the lens. Where do you want the audience to look? How do you begin a sequence? At what point?

"In a scene where Daniel Day-Lewis (as hero Newland Archer) is talking to his lawyer, we start with a gigantic close-up of a cigar being clipped and then puffed on. Then we have a wide angle of the room in which the camera comes flying to an over-the-shoulder shot; then..." And so forth. You have to see the disruption of costume-movie camera etiquette in *The Age Of Innocence* to believe it – and to believe that it can work.

But with Scorsese the camera has always been a St Vitus presence. The place where he *did* change his habits for the new film was in the dialogue and performances.

"What fascinates me about the time Wharton wrote about, that period of New York high society, is that people *edited* their thoughts before they spoke. In *Raging Bull* or *Mean Streets* or even *Alice Doesn't Live Here Any More* there's no such editing. People come right out with their thoughts, often to the detriment of the person who said it – 'I didn't mean *that*. I meant this!' With Wharton's people every word is carefully chosen. There's this intensity of restraint."

Hence the casting call to British actors to fill out Wharton's tale of a rich, emotionally repressed New Yorker (Daniel Day-Lewis) whose friends and family (Alec McCowen, Miriam Margolyes, Richard E. Grant...) look on aghast as he falls for a divorced Polish countess, played by the film's almost lone American Michelle Pfeiffer.

But *The Age Of Innocence* seems less un-Scorsese-ish a project the more one ponders it. The way people express or fail to express their feelings – in an arc all the way from the cataracts of street gab of De Niro's Johnny Boy in *Mean Streets* to the lumbering inarticulacy of De Niro again in *Raging Bull* – is the heart of his cinema. These heroes, or anti-heroes, use words as fists and fists as words. They grow up in a big city milieu where survival requires the interchangeable use of mental wit and physical weaponry.

Scorsese to this day does not see his reputation-making film *Taxi Driver* – a "vision of Hell" according to some critics – as anything but a realistic picture of New York City. "All the images seen through the De Niro character's eyes, you could say, yes, they add up to one of the nine circles of Hell. Or to Purgatory. There's a religious element there. 'I'm God's lonely man' Travis (De Niro) says, and Paul Schrader (the scriptwriter) based his script on Dostoevsky's *Notes From Underground*.

Michelle Pfeiffer as Countess Ellen Olsenska in Scorsese's latest film, 'The Age of Innocence' which opens in Britain next week

"But for me, I made the film because I knew how this man felt. You *have* these feelings of exasperation, of helplessness, in a city like New York. Everybody's wrong, nobody's right! Everybody's right, nobody's wrong! There are the racial problems and the injustices... it's a city caving in, eating itself up. How do you survive? How do you stop killing yourself and taking people with you?"

It is a world Scorsese himself grew up in, and for years he floundered with his own crisis of response and identity. As a teenager he wanted to go into the church, but found that he kept going into cinemas instead. "It was a refuge, in a way, a dream. Or a 'dream state'. It was a place to go and rest and explore your own emotions through other stories and other characters. It was a catharsis for me, like moving paintings."

And paintings keep coming up during conversation. He gave up the altar to move into the arts: but what kind of artist would he have been if born before the age of cinema? "A painter." And why does he find so much inspiration still in old churches? "Because frescoes were an early form of cinema. You know, 'Here is the resurrection, over there is Hell.' And people would criticise it like a movie. 'Oh it's much too gory, too violent! We don't need that sort of thing in a church!'"

As for the longest answer he gives me during our whole conversation, that too is about painting: his search to find the right pictures for people's houses in *The Age Of Innocence*. It led him, in a pilgrimage towards dramatic truth, all the way from period accuracy – consulting the New York Historical Society to find out what artworks the real-life prototypes for Wharton's characters actually owned – to a sophisticated cinematic symbol-patterning. One example is the character whose staircase is lined with paintings by the Hudson Valley artists. "I thought that up with the designer Dante Ferretti. As you go up the stairs, you're taking a trip up the Hudson Valley, finally ending on a scalping, which puts everything else in perspective about polite American society at that time!"

For Scorsese violence is the subtext of life – or American life – however much the social or cultural surface may camouflage it. He experienced that hidden violence himself three years ago, when good manners in the Bible Belt buckled like an earth tremor over his film *The Last Temptation Of Christ*.

"I was very surprised," he says, "at the level of emotion and confused information that response to the film brought about. In France they burned theatres; in America I had death threats. I knew there'd be controversy, but I hoped that out of that, religious concepts would be discussed intelligently around the world. Not just Christianity but other religions. I think more films should be made in the West about Islam; so people get to understand the lifestyle of Arabs, ancient and modern. It would help to dispel the fears of an isolated country like America."

Scorsese's evangelistic view of movies does not stop here. Indeed it does not stop anywhere. One senses a crusading or religious spirit informing nearly all his perspectives on cinema. Asked what happened to the impulses he once planned to put into the priesthood, he does not hesitate to say they went into his films. "If you have a gift, the actual working out of that gift is a form of prayer. It's a religious act." And asked what special power cinema has beyond other arts, he has a missionary answer.

"Imagery is such a powerful thing. I was lecturing on film preservation around the time when the Holocaust exhibition opened in Washington. And all week they'd been showing documentaries of the period, and I said 'Imagine if all this film hadn't been preserved!' In a funny way, you can read all the books you want, but to see *one* photographic or moving image of what happened – the famous shot of the Nazi with the riding crop under the chin of the old woman, forcing her to look up – that alone says so much to future generations. That's what the power of film is."

Light out of darkness

***Patricia Morison** views fragile survivors of the Middles Ages collected in Cologne*

This is an exhibition to make you pinch yourself in case it is a dream. There are no fewer than 70 north European panel paintings of the late 14th and 15th centuries. Roughly half of these fragile survivors from the Middle Ages and early Renaissance have been loaned from other museums and a handful still belong to private collections. There are vestments and manuscripts, including the delightful little Darmstadt Book of Hours which Lochner, the most admired German artist before Dürer, illuminated.

So obscure is Lochner, and so little represented outside German collections, that this extraordinary exhibition is like a laboratory assembled so that art-historians can test their hypotheses. Who were this innovative artist's teachers and models? Who were his fellow-pupils, and whom did he teach?

These questions justify the exhibition, so the public has reason to feel grateful. At the same time, this is also an exhibition which displays a more profound contempt for the lay visitor than any I have ever seen.

'Stefan Lochner, Cologne Master: *Origins, Works, Impact*' at the Wallraf-Richartz Museum in Cologne

Apart from labels saying "Upper Rhine", "Italy", "Followers", and so on, there is not a shred of information inside the gallery. Outside there are tediously slow interactive videos. Unless you read German and feel like balancing the hardback catalogue on your arm, you could leave the exhibition knowing little more about Lochner and his contemporaries than when you arrived.

He was born near Lake Constance and died in Cologne in 1451, a prosperous master who invested his wealth in real estate. Probably he died from the Black Death, which wiped out half the population of this exceedingly rich city. Details of Lochner's life and work are conjectural and not one signed painting survives. A few years ago, an heretical scholar even suggested that the famous "Adoration of the Magi" altarpiece in Cologne Cathedral is not by Lochner. (It hardly needs saying that a trip to see this is a must.)

To the Wallraf-Richartz Museum's own collection of works by Lochner have been added many others. My favourite was the "Presentation in the Temple" from the Gulbenkian Museum, which shows Lochner's gift for tenderness and his original way with themes. Simeon looks at the lively, golden-haired Christ Child in his arms with an expression which is *grave and full of foreboding*. Contemporaries would have known to supply his words, "Lord, now lettest thou thy servant depart in peace."

Frankfurt has loaned the two wings of the "Martyrdom of the Apostles". In 12 small panels, Lochner achieved the gayest, most varied compositions out of the horrible litany of torture. These apostles surely sang as they died and their executioners have the grace of dancers. The gold backgrounds and solid haloes were the hallmark of the Cologne school. Arriving there in about 1430, Lochner wisely made it his own.

So much gold can become monotonous, particularly in comparison with Flemish contemporary painters like Flemalle and Robert Campin, with their views through windows onto landscapes and lively street scenes. The exhibition shows how long it took for Cologne's burghers and churchmen to change their view that paintings, like statues and books, should be gleaming and hieratic, a foretaste of heaven.

The greatest Flemish masters are also represented by loans to the exhibition. There are a half-dozen wonderful paintings by Jan Van Eyck (the "St Jerome" from Detroit), Petrus Christus, Robert Campin and Rogier van der Weyden (the lovely panel from Leipzig of the meeting of SS. Elizabeth and Mary, both heavily pregnant).

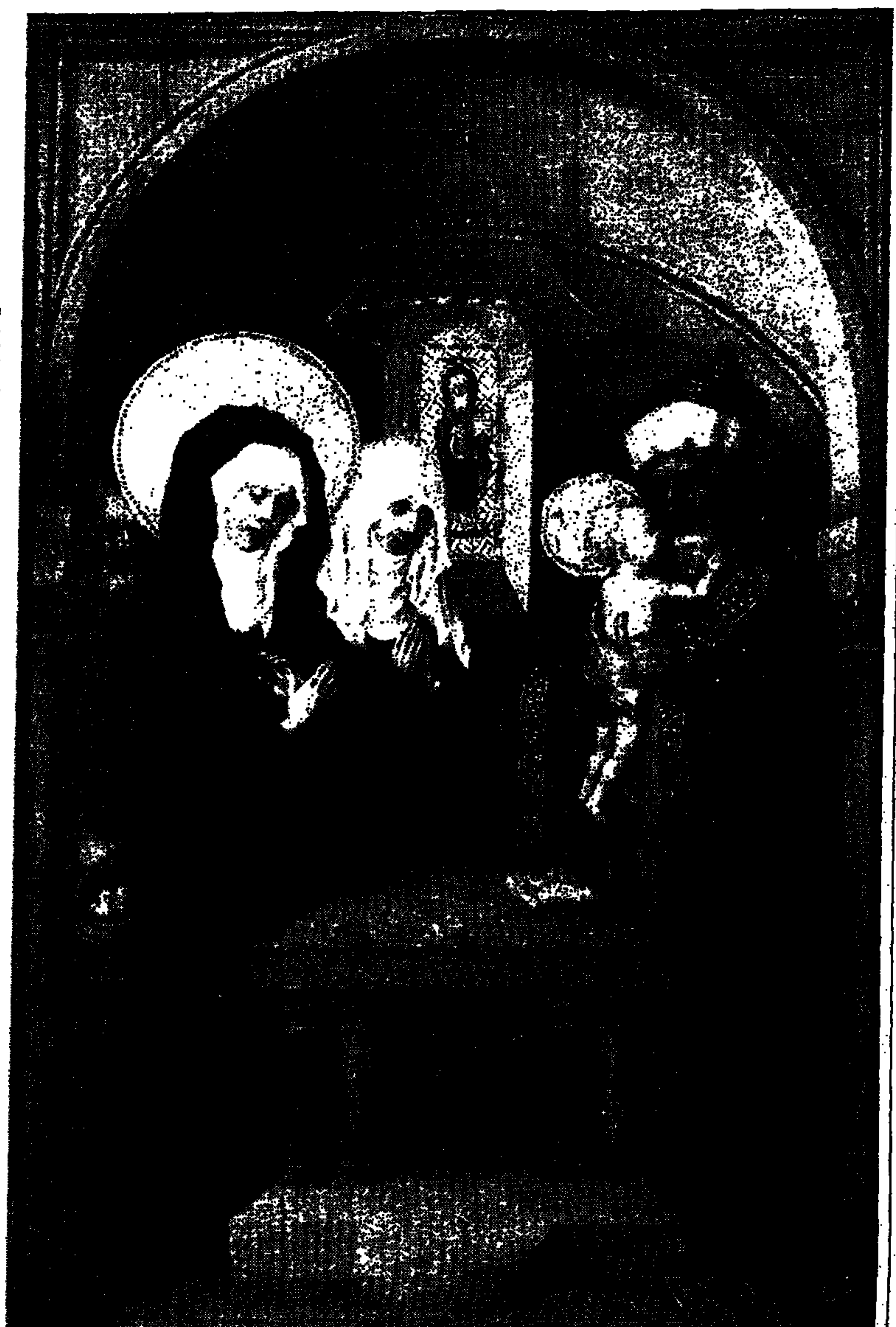
There are guided tours which will give you the sadistic pleasure of standing *en bloc* in front of important pictures such as Lochner's "Last Judgment", hung in a central bottleneck, and preventing anyone else getting a look in for minutes at a time.

The longest wait will probably be to see the magnificent triptych on the last wall. It is not by Lochner but by an artist who, to my mind, is his superior. Memling's "Last Judgment" is a sublime vision of terror and beauty.

Why does this masterpiece appear in the show? Because Memling was Rogier van der Weyden's pupil, and accompanied him to Cologne where, like many other artists, he looked hard at Lochner's "Last Judgment". However, Memling's vision is far more novel and compelling than the Cologne master's. Here are no feebly literal jaws of hell, no bloated bodies or condign punishments.

This is a hell of sickening vertigo in which elegant bodies plummet into stygian smoke and flame. On the left side, the blessed walk up a glass staircase of breathtaking beauty. A grey-haired man bobs a curtsey as St Peter shakes his hand. At the top, angels slip sumptuous garments over people's heads. Memling's vision is the grandest finale to an exhibition which, despite its lack of information about the pictures on show, will beckon to anyone who loves the northern Renaissance.

Sponsored by Kölnisch Rundschau, IBM, Hanstein-Verlag. Exhibition runs until 27 February, 1994. For information on Cologne, including hotel-bookings and guided tours, contact the Cologne Tourist Office; (0221) 231-3345



Obscure master: 'Presentation in the Temple' by Lochner, on loan from the Gulbenkian Museum

Turin falls for 'Fille'

British ballet enchants Italy, discovers ***Alastair Macaulay***

It is strange to reflect that Italy was the cradle of ballet, before the French and Russians adopted it. Right up until the beginning of this century, Italian dancers were the most eminent stars in the ballet world, and Italian ballet training perhaps the most influential.

Today, Italian ballet training has no high standing. Alessandra Ferri and Viviana Durante, two of the world's leading female dancers, are Italians who came to London to complete their training and to launch their international careers.

How odd, then, to see the Birmingham Royal Ballet, an unstellar ensemble dancing Frederick Ashton's unglamorous classic *La Fille mal gardée* in Turin last weekend. Not all seats were filled; some Torinese opera subscribers chose not to occupy their seats. And those who attended did not at first know how to react. Could a *ballet* really be this rural and comic and touching and humane? Could dance steps really be arranged with this much intricacy? Could so much tender detail be poured into a work whose plot is so simple? Could sophisticated Northern Italians enjoy something as homespun as this?

The answer was yes – eventually. The opening performance was, by all accounts, politely received, no more. At the second performance, large numbers of the audience were sufficiently delighted to rush forward to the stage, to bathe in the dancers' radiance as they applauded. The next day the critics of the Corriere della Sera, Giornale, and La Stampa proclaimed the opening performance of *Fille* to have been a triumph, delicious, a joy.

One must compliment Peter Wright, the BRB's artistic director, on using *La Fille* as his calling-card. Last year the Royal Ballet (the Covent Garden branch) came to Turin with *Mayerling* and Anthony Dowell's stagings of *Swan Lake* – productions that you would have thought *anyone could tell* would fail on the European continent. The BRB is not the better company – *La Fille* is danced slightly better by the Covent Garden ensemble – but many Torinese certainly now think it is. Certainly *La Fille* becomes the Birmingham dancers; I have not admired this troupe's dancing so much for several years.

Ashton's skill in characterisation was the most remarked-upon feature of the ballet; with especial delight found in the travesty playing of the grouchy but warm-hearted Widow Simone ("la mamma") and the happy simpleton Alain. But people also exclaimed with amazement that never before had they seen ballet with the harmony, structure, and fluency of music – that watching it was like reading a score. I, who have probably seen *La Fille* over 60 times, found myself discovering new felicities in its construction – and yet envying those were discovering it for the first time.

During my brief visit, I was able to watch the company's first two casts. Irek Mukhamedov, a guest star from Covent Garden, danced Colas. He had a few more problems with the steps than when he first took the role at Covent Garden two years ago, and he forces a few features of the characterisation. But you could still feel the virile charm and Bolshoi sweep that makes Mukhamedov so immensely impressive a dancer.

Tiny, pert, Sandra Madgwick was his Lise. The sharp coloratura of her dancing, the impetuous fun of her playing have made her a splendid inheritor of this role since her student days. Perhaps she is at times too sharp, too shy of bringing out the melting lyricism of the ballet's more lovelorn passages; but her dancing is as naturally brilliant as birdsong.

David Morse and Vincent Redmon, as Simone and Alain, gave performances that at all points made the ballet's detail (and thereby its entire world) more real.

The second cast, by one of those happy flukes, had several more flaws and yet was altogether even more delightful. Dorcas Walters lacks all the finesse for Lise's dances, but the brightness of her jump on the one hand and the gentleness of her playing on the other makes her performance varied and absorbing; Sergiu Poberezhnic, attentive but weak as a partner and generous but tense as a soloist, has tremendous warmth and youthful panache as Colas; Edwin Mota was an exaggerated but sweet Alain. And Michael O'Hare was a marvellous Simone; I have not seen the episode when he suddenly wakes and blearily snaps straight back into action so vividly done for many years.

Above and beyond any of the dancers, I praise the company's young conductor Philip Ellis. Each time I hear him, I think he is the best thing to have happened to British ballet music since the late Ashley Lawrence. He shapes the music of such minor composers as Auber, Hérold, and Minkus with the brio, love, and finesse it deserves; he lends sparkle to otherwise weak dancers; and to precise dancers he gives stimulus and power. Playing under him, the orchestra of Turin's Teatro Reggio gave the score unusual elegance and wit.

Well tuned to Boccherini

The Quatuor Mosaïques, four young "period" string-players of unrivalled excellence, is briefly in residence at the Wigmore Hall with a four-day mini-festival devoted to the chamber music of Haydn and Boccherini that should bring happiness to all who sample it.

Haydn and the Italian-born, Spain-based Boccherini were contemporaries. Their fame in the later 18th century spread comparably, if differently, wide. Both were hugely prolific. For these reasons and many others besides, numerous parallels between the two have long been drawn by chamber-music historians, invariably to Haydn's greater glory.

The bounteous pleasures of Thursday's opening concert were supplied equally by the beauty of the music and the justness of its evaluation – with performers like these, style- and period-conscious not merely in their sound-producing traits but in their effortlessly intimate approach to ensemble performance, there was never any danger of Haydn's greatness obliterating the lesser figure.

Two Boccherini string quintets framing the programme, with the Belgian cellist Roel Dieltens as fifth voice, exposed with the most subtle interplay of parts the elegantly musical personality that underlies all of his choicest creations. Today, when charm is a characteristic widely despised and "aggressive" more often than not an adjective of praise, there is a temptation to scoff at the ripely civilised qualities of a work such as the C major Quintet, Op 28 no. 4.

Here, in a reading of exquisite gentleness which constantly searched out the softest, sweetest modes of audience address, the most graceful tones of voice in the singing of Boccherini's delightful melodies, that temptation was immediately banished. The Mosaïques encouraged the listener to admire to the full the genial virtuosity of the part-writing, with its delicate evocations of Spanish guitar consorts and intriguing blends of violin texture.

And even if the quartet's performance of Haydn's farewell to string-quartet composition, the two-movement "torso" numbered Op. 103, had earlier raised the listener to an entirely different level of musical experience, it remained possible afterwards to appreciate Boccherini according to his genuine, palpable merits.

Max Loppert

Wigmore Hall, London W1: series sponsored by Friends of Wigmore Hall; final concert tomorrow evening

Sheppard in a minor key

It is commonly held that as a jazz musician you must pay your dues before moving into the premier league: you have to earn the right to do your own thing. British saxophonist Andy Sheppard has worn out more than a few reeds on the way up and is now expressing himself vigorously and variously all over the place. Last Saturday his Small Co-Motion – a duo with keyboard player and composing partner Steve Lodder – filled Norwich Arts Centre. A new and funky recording from the quintet In Co-Motion is out now on Blue Note and a live recording of the 10-piece Big Co-Motion is released next month.

Sheppard likes to chop around. In Paris he used to play on forklift trucks with performance art troupe Urban Sax. He sits on the front row of adventurous big bands led by George Russell and Carla Bley and plays opposite pianist Keith Tippett in turbulent free improvisation. Last year Big Co-Motion travelled to Nigeria and Outer Mongolia on British Council tours.

For his foray into the Near East, however, Sheppard came equipped for congenial self-indulgence and intimate riffing with Lodder's synth. Opening with the soprano and a swarming bee tone layered over twinkling accompaniment before moving on to the soulless fuzz metal effect of the Ewi (electronic wind instrument), Sheppard showed his considerable firepower. Dank soprano improvisation with delay gave way to well punctuated excursions from Lodder and some tenor madness.

But minor key ruminations were the theme for most of the evening. Linear improvisation run along a repeating and recurring folky mantra is a feature of much jazz, and indeed modern music in general. The melancholic, wistful effect created by Sheppard and Lodder here is mildly stimulating because they are both fine musicians. But, as if you had been listening in to two friends jamming gently at home, you do not go away with much of substance to remember. Sheppard is always good value in any shape or form – however blurred the outline. But his solo exertions in the context of a fierce brass section and the exhilarating writing of the Big Co-Motion are more rewarding.

Garry Booth

Small Co-Motion at the Blackheath concert halls tonight. Big Co-Motion at the Barbican, February 25.

No 1005: 1 Nxd6 Rh5? 2 Rxe4 Nf3 3 Re8+! wins.

TELEVISION

SATURDAY

BBC1

6.25 News. 7.30 Walking the Dog. 7.50 Peter Pan and the Pirates. 8.15 Chucklevision. 8.35 The Racoons. 9.00 Live and Kicking.

12.12 Weather.
12.15 Grandstand. Introduced by Steve Rider. 12.20 Football Focus: Live coverage from Manchester of the draw for the European Championship qualifying round. 12.55 Racing from Haydock Park: The 1.00 Premier Long Distance Hurdle. 1.10 News. 1.15 Rugby League: Preview of this afternoon's match. 1.25 Racing: The 1.30 Ecoskolt Champion Hurdle Trial. 1.40 Skiing: The Men's World Cup Downhill from Wengen, Switzerland. 1.55 Racing: The 2.00 Peter Marsh Chase (H'cap). 2.10 Rugby League: Castleford v Wigan. Full live coverage from Headingley of the Regal Trophy Final. 3.00 Figure Skating: The European Championships from Copenhagen. 3.10 Rugby League. 3.55 Football Half-Times. 4.00 Figure Skating: The women's free programme. 4.40 Final Score. Times may vary.
5.15 News.
5.25 Regional News and Sport.
5.30 The New Adventures of Superman. A military official intent on destroying the flying superhero seizes The Daily Planet office – can Lois and Clark save the day? Starring Dean Cain.
6.15 Noel's House Party. Fun from Crinkley Bottom, as cricketer Allan Lamb tries to Grab a Grand. Plus, the Big Pork Pie and NTV.
7.15 Big Break. Snooker stars Tony Meo, Jimmy White and Tony Drago help contestants compete for the star prize.
7.45 Birds of a Feather. Business at Sharon's cafe begins to hot up – but Tracey finds her sister's success hard to swallow. Comedy, with Pauline Quirke and Linda Robson.
8.15 Casualty. The prospect of job losses casts gloom over the accident and emergency department, prompting staff to fear for the future. Medical drama, starring Derek Thompson and Clive Mantle.
9.05 That's Life!
9.45 News and Sport; Weather.
10.05 Match of the Day. Highlights from two of the day's matches.
11.05 Film: Audrey Rose. A man tries to convince a couple their 12-year-old girl is the reincarnation of his dead daughter. Supernatural thriller, starring Marsha Mason and John Beck (1977).
12.55 Weather.
1.00 Close.

BBC2

8.00 Open University. 9.55 Hanseatic Age. 10.25 All-Time Classics. 11.05 Bollywood or Bust! 11.35 Chanakya.(English subtitles).

12.15 Film: Where's Jack? Historical adventure, starring Tommy Steele as an 18th century highwayman pursued by government forces. With Stanley Baker (1969).
2.10 Horizon. New fossil discoveries suggesting woolly mammoths survived the Ice Age and lived on until as recently as 3,500 years ago.
3.00 Film: Soldier in the Rain. Steve McQueen and Jackie Gleason star in this offbeat comedy drama as US Army sergeants whose demob plans are marred by tragedy (1963).
4.25 Film: Never Love a Stranger. A New York gang boss finds his position threatened by the forces of law and order. Crime thriller, starring Steve McQueen and John Drew Barrymore (1958).
5.55 Late Again.
6.25 Scrutiny. Do the Commons committees work? Anne Perkins reports on home secretary Michael Howard's views on the rising number of racial attacks. Plus, president of the Board of Trade Michael Heseltine's plans for the manufacturing industry.
6.55 News and Sport; Weather.
7.10 Personal Ambitions. First of a two-part account of the relationship between leading Australian Labour Party figures Paul Keating and Bob Hawke. Narrated by Kathy Bowen.
8.00 Unplugged. Superstar Annie Lennox on stage at the 1992 Montreaux Jazz Festival.
8.50 The Classical Music Awards. Coverage from the Royal Albert Hall in London as the greatest talents in such categories as male and female singer of the year, conductor of the year, and opera production of the year, are honoured for their achievements.
10.05 Between the Lines. The police shooting of an armed man provokes hostile reactions among local people, prompting Tony Clark to investigate. Starring Neil Pearson.
10.55 Film: A Tale of Springtime. Light-hearted romance about a young girl who acts as matchmaker between her father and a visiting teacher. Starring Anne Teyssedre and Hugues Quester (1989).
12.40 Later with Jools Holland.
1.40 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Movies, Games and Videos.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 NBA Basketball. The game of the week, and highlights from the rest of the league.
2.10 Life Goes On. Corky uses his resourcefulness when he babysits instead of his sister.
3.05 Film: Carry On Spying. Barbara Windsor and Kenneth Williams head the cast of this bawdy James Bond spoof (1964).
4.40 ITN News and Results; Weather.
5.00 London Tonight and Sport; Weather.
5.15 Cartoon Time.
5.30 Catchphrase. Roy Walker hosts the cliché game show.
6.00 Blind Date. Romance-seeking hopefuls go on the date of a lifetime.
7.00 Barrymore. Star-struck members of the public demonstrate their talents on stage, featuring an animal impersonator from Somerset, and an 18-year-old opera singer from Southampton.
8.00 Murder, She Wrote. Jessica uncovers an elaborate murder plot when the multi-millionaire husband of her neighbour, a daytime soap opera queen, is shot dead – is the haughty actress's lover to blame? Starring Angela Lansbury, Tony Roberts and Kevin McCarthy.
8.50 ITN News; Weather.
9.00 London Weather.
9.05 Film: Impulse. Premiere. An undercover narcotics cop (Theresa Russell) puts her life and career on the line by concealing her romantic involvement with a murdered witness – and stealing drug money worth more than $1m in the process. Police thriller, also starring Jeff Fahey, George Dzundza, Alan Rosenburg and Nicholas Mele (1990).
11.05 The Big Fight – Live. Eamonn Loughran v Alessandro Duran for the WBO Welterweight Championship at Belfast's Kings Hall.
11.50 Film: Gideon Oliver: The Last Plane from Coramaya. A New York teacher's devotion to a promising student plunges him into a feud between warring Chinatown families. Thriller, starring Louis Gossett Jnr (1989).
1.35 The Big E: ITN News Headlines.
2.30 New Music.
3.30 Travel Trails.; ITN News Headlines.
4.00 European Nine-Ball Pool Masters.
5.00 BPM.

CHANNEL4

5.00 4-Tel on View. 6.30 Early Morning. 10.00 Tony Jacklin's Pro-Celebrity Golf. 11.00 Gazzetta Football Italia. 12.00 The People's Game. 12.30 pm Sala TV.

1.00 Rocking with a Sikh. The story of an Indian-born shop owner from Swansea who dreams of becoming a rock 'n' roll star.
1.30 Magoo's Homecoming. Myopic misadventures.
1.40 Racing from Kempton Park. The 1.45 Bic Lady Shaver Handicap Hurdle, 2.15 Fulwell Handicap Chase, 2.45 Bic Razor Lanzarote Handicap Hurdle, and the 3.15 Bic Razor Novices' Chase.
3.25 Film: Pennies from Heaven. Musical, starring Bing Crosby as a singer who helps a 10-year-old girl and her grandfather return to their family home. With Edith Fellows (1936).
5.05 Brookside.
6.30 Right to Reply. Viewers' reports and ideas about recent TV programmes.
7.00 A Week in Politics; News Summary.
8.00 Kingdoms in Conflict. Documentary focusing on the life of Daphne Sheldrick, widow of a former warden of Tsavo National Park in Kenya, and her determination to wildlife conservation. In their long fight against poachers, she and her husband rescued many young animals and took them into care. Following the death of her spouse, Daphne moved to Nairobi National Park with her four-legged friends, and continues to treat them as a second family.
9.00 NYPD Blue. Sipowitz begins to recover, but can't remember who wounded him. Kelly appears in court on behalf of a man whose son was killed in a shooting, and crooked cop Licalsi rebels against Mob boss Marino and guns him down. Police drama, starring Dennis Franz, David Caruso, Amy Brenneman, Joe Santos and Brent Jennings.
10.00 Film: Maurice. In Edwardian England, a young man gradually becomes aware of his homosexuality while studying at Cambridge. Elegant drama based on the novel by E.M. Forster, starring James Wilby, Denholm Elliott and Hugh Grant (1987).
12.35 Broadway Stories.
1.10 Film: Think Fast Mr Moto. Peter Lorre, as the inscrutable Japanese sleuth, smashes a smuggling ring. Thriller, with Virginia Field (1937).
2.20 Herman's Head.
2.50 The Word.
3.50 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:–

ANGLIA:
1.05 Anglia News. 1.10 The Munsters Today. 1.35 COPS. 2.05 Guns in the Heather. (1968) 3.45 Knight Rider. 5.00 Anglia News and Sport 5.00 Anglia Weather.

BORDER:
1.05 Border News. 1.10 Get Smart, Again! (TVM 1989) 2.55 The A-Team. 3.55 Superstars of Wrestling. 5.00 Border News and Weather

CENTRAL:
12.30 America's Top 10. 1.05 Central News 1.10 COPS. 1.35 Movies, Games and Videos. 2.05 Knight Rider. 3.00 The A-Team. 3.50 WCW Worldwide Wrestling. 5.00 Central News 5.05 The Central Match – Goals Extra. 5.20 Cartoon Time. 5.30 Local Weather.

CHANNEL:
12.30 Hold. 1.05 Channel Diary. 1.10 Sal the World. 1.40 NBA Basketball. 2.40 Cartoon. 2.50 Carry On Jack. (1963) 5.00 Channel News. 5.05 Puffin's Plaifce.

GRAMPIAN:
12.30 Monadh Ard (Moonacre). 1.05 Grampian Headlines 1.10 Telefios. 1.40 Speaking Our Language. 2.10 Carry On Regardless. (1961) 3.50 WCW Worldwide Wrestling. 5.00 Grampian Headlines 5.05 Grampian News Review. 9.00 Grampian Weather.

GRANADA:
1.05 Granada News 1.10 Get Smart, Again! (TVM 1989) 2.55 The A-Team. 3.55 Superstars of Wrestling. 5.00 Granada News 5.05 COPS.

HTV:
12.30 The Littlest Hobo. 1.05 HTV News. 1.10 Sal the World. 1.40 One in a Million. The Ron Lefiore Story (TVM 1978) 3.15 Movies, Games and Videos. 3.45 The A-Team. 5.00 HTV News and Sport 9.00 HTV Weather.

MERIDIAN:
12.30 Hold. 1.05 Meridian News. 1.10 Sal the World. 1.40 NBA Basketball. 2.40 Cartoon. 2.50 Carry On Jack. (1963) 5.00 Meridian News.

SCOTTISH:
12.30 Scotsport Extra Time. 1.05 Scotland Today. 1.10 Speaking Our Language. 1.40 Telefios 2.10 Murder One. (TVM 1969) 3.50 The A-Team. 5.00 Scotland Today

TYNE TEES:
1.05 Tyne Tees News. 1.10 The Munsters Today. 1.35 Wanted: Dead or Alive. 2.05 Old Yeller. (1957) 3.45 Knight Rider. 5.00 Tyne Tees Saturday

ULSTER:
12.30 Blockbusters. 1.05 UTV Live Lunchtime News 1.10 Saturday Sport. 1.15 Movies, Games and Videos. 1.45 The Munsters Today. 2.15 Doctor at Sea. (1955) 3.55 WCW Worldwide Wrestling. 5.00 UTV Live Early Evening News 5.05 Saturday Sport. 9.00 UTV Live News

WESTCOUNTRY:
1.05 Westcountry Weekend Latest. 2.10 Wild River. (1960) 4.10 On the Grid. 5.00 Westcountry Weekend Latest.

YORKSHIRE:
1.05 Calendar News. 1.10 The Munsters Today. 1.35 Wanted: Dead or Alive. 2.05 Old Yeller. (1957) 3.45 Knight Rider. 5.00 Calendar News

S4C Wales as Channel 4 except:–
7.00 Early Morning. 12.00 Land Without Music. (1936) 1.25 Kinsey Photographer. 6.30 Cwlwm Serch. 7.00 Jacpot. 7.30 Treed Ow. 8.00 Teon Tymor. 9.00 Uwyaid Sgwar. 9.15 Newyddion. 9.30 Distant Voices, Still Lips. 10.00 NYPD Blue. 10.55 Julia. (1977)

SUNDAY

BBC1

7.25 The High Chaparral. 8.15 Breakfast with Frost. 9.15 Glimpses of God. 9.30 This is the Day. 10.00 See Hear! 10.30 Deutschland Heute. 10.45 Italianissimo. 11.00 Careering Ahead. 11.30 Spain on a Plate.

12.00 Family Affairs.
12.30 CountryFile.
12.55 Weather for the Week Ahead.
1.00 News.
1.03 On the Record.
2.00 EastEnders.
3.00 Film: Trapeze. A circus partnership is threatened by sexual jealousy. Melodrama, starring Burt Lancaster and Tony Curtis (1956).
4.45 Lifeline. Nick Owen appeals on behalf of the National Deaf Children's Society.
4.55 Smokescreen. Drama, starring Timothy West and Paula Wilcox.
5.25 Antiques Roadshow. Hugh Scully and the team visit Kidderminster to value items including rare dolls, a silver coffee jug, and an unusual marquetry breakfast table.
6.10 News.
6.25 Songs of Praise.
7.00 As Time Goes By.
7.30 The House of Eliott. Evie accuses Daniel of betrayal when he is pushed into revealing details of his past. A shocking discovery causes Bea to fear for her future.
8.25 So Haunt Me.
8.55 News and Weather.
9.10 Headhunters. Simon begins to question the morality of his profession after meeting a formidable record company executive in Paris. James Fox stars.
10.05 Smith and Jones.
10.35 Everyman. Update on the case of Sally Croft and Susan Hagan, two British women facing extradition to the US on charges of conspiring to murder a federal attorney. The women were devoted members of a sect led by Indian guru Bhagwan Shree Rajneesh, and became caught in a web of suspicion, crime and ultimately murder. The programme investigates their reasons for staying with the group even after they realised its ideals had become corrupted.
11.15 Steven Spielberg's Amazing Stories. A beauty contest takes an unexpected turn when extraterrestrials apply to enter. Dick Shawn and Weird Al Yankovic star.
11.40 Poor Dear. Should charities be spending less on finding cures for the disabled, and more on addressing their social needs?
12.10 Weather.
12.15 Close.

BBC2

7.25 Tales of a Wee King and the Devil. 7.30 Playdays. 7.50 Wishing. 8.00 Felix the Cat. 8.15 Blue Peter. 9.00 Dear Me. 9.15 Simon and the Witch. 9.30 The Animals of Farthing Wood. 10.00 TimeBusters. 10.25 Grange Hill. 10.55 As Seen on TV. 11.20 Maid Marian and Her Merry Men. 11.45 The O-Zone. 12.00 Dr Who: The Green Death. 12.25 pm The Fugitive. 1.15 The Phil Silvers Show.

1.40 The Living Soap.
2.00 Around Westminster. Weekly political update.
2.30 Brendel on Beethoven.
3.30 Sarajevo Compilation. Round-up of reports from the war-torn city.
3.40 Figure Skating: The European Championships. Highlights of this week's competitions from Copenhagen.
4.30 Ski Sunday. Action from the men's downhill event at Wengen, Switzerland, and the women's slalom from Maribor, Slovenia.
5.10 Rugby Special. Gloucester v Northampton in the Pilkington Cup fifth-round.
6.10 Nomads of the Wind. A look at the effects of isolation on the wildlife and people of the Polynesian islands.
7.00 The Money Programme. General Motors is the world's biggest car maker, but the recession brought problems. The programme assesses the company's chances of recovery.
7.40 The Lost Steptoes. Another vintage episode of the classic comedy.
8.10 Moving Pictures. Oliver Stone talks about his new film Heaven and Earth, based on a Vietnamese woman's account of her experiences in the Vietnam war and afterwards. Platoon, one of Stone's earlier Vietnam films, can be seen later tonight.
9.00 Comic Asides. The Last Word, by Tony Bagley. Black comedy following the fortunes of a boorish journalist whose abrasive style lands him in trouble.
9.30 Auction. Russians are eager to sell their art treasures following the Soviet Union's collapse, this documentary follows two of Sotheby's buyers in their quest for rich pickings.
10.00 Film: Platoon. Vietnam war drama, starring Charlie Sheen as a raw recruit thrown into the thick of battle along the Cambodian border. With Willem Dafoe and Tom Berenger (1986).
11.55 Film: Utu. Powerful drama, starring Anzac Wallace (1983).
1.40 Close.

LWT

6.00 GMTV. 9.25 The Disney Club. 10.15 Link. 10.30 The Sunday. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.
1.10 Walden. Political interview with Mr Malcolm Rifkind.
2.00 Animal Country. Whippet racing, and the world's rarest wild cats.
2.30 The Sunday Match. Nottingham Forest v Wolverhampton Wanderers. Live coverage of the top Division One match from the City Ground.
5.05 Father Dowling Investigates. The ecclesiastical sleuth tries to track down a hired killer before a political rally becomes a bloodbath.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 Film: Vice Versa. An overworked department store executive (Judge Reinhold) and his 11-year-old son (Fred Savage) have their horizons widened after undergoing a magical body-swap. Comedy, also starring Swoosie Kurtz and Corinne Bohrer (1988).
8.15 A Touch of Frost. A demoted officer with a chip on his shoulder joins DI Jack Frost's team to investigate an apparent drug overdose which turns into a murder inquiry. Meanwhile, Supt Mullett gets drunk at a retirement party, and is seen leaving with a WPC. Starring David Jason, Neil Dudgeon, Bruce Alexander and Caroline Harker.
10.15 Michael Winner's True Crimes. How the search for a French backpacker missing in the Lake district led to the re-opening of a seven-year-old murder enquiry.
10.45 ITN News; Weather.
10.55 London Weather.
11.00 The South Bank Show. Profile of British-based pianist Bheki Mseleku, who has struggled against poverty, personal injury and exile to develop his music, which blends township rhythms from his native South Africa with American jazz and European classics. Mseleku talks about his life and art, and is shown in a jam session with legendary trumpeter Hugh Masekela and acclaimed British saxophonist Courtney Pine.
12.00 Sell the World.
12.30 Cue the Music.
1.30 Get Stuffed.
2.25 Get Stuffed; ITN News Headlines.
2.30 Music from the Circus.
3.00 Snooker.
4.55 Get Stuffed.
5.00 Crusade in the Pacific.

CHANNEL4

6.00 Early Morning. 9.45 The Lone Ranger. 10.15 Saved by the Bell. 10.45 Planet of the Apes. 11.45 Little House on the Prairie. 12.45 pm Bush Tucker Man.

1.15 Football Italia. Kenneth Wolstenholme and James Richardson introduce live action from Sampdoria v Juventus.
3.30 Stephen Frears Introduces Whisky Galore. The acclaimed director previews the classic comedy.
3.35 Film: Whisky Galore. Ealing comedy, about Hebridean islanders trying to keep a salvaged cargo of whisky out of the authorities' hands. Starring Basil Radford (1949).
5.10 News Summary; Weather.
5.15 High Interest: Car Wars. The problems facing the European car industry in the wake of numerous mergers and takeovers, million-pound losses, and in the face of intense competition from the Far East. Featuring interviews with leading executives, including Ford's first British-born chairman Alex Trotman, and a visit to Renault's industrial design centre where a new model, the Laguna, is being developed.
6.00 Moviewatch. Reviews of Robin Williams in Mrs Doubtfire, Remains of the Day with Anthony Hopkins and Emma Thompson, the final part of Oliver Stone's Vietnam trilogy, Heaven and Earth, and the SF mutt from hell Man's Best Friend. Johnnie Vaughn interviews film director Martin Scorsese.
6.30 The Cosby Show.
7.00 Time Team. Mick Aston, Tony Robinson and the team of archaeologists delve into the secrets of the Roman frontier site of Ribchester in Lancashire where, with the help of latter-day Roman Legionaries, they discover how the Empire's army managed to survive at such a remote outpost in AD 100.
8.00 The Road to the Superbowl. The two matches that will decide the Superbowl contestants. The reigning Superbowl champions, the Dallas Cowboys, entertain the San Francisco 49ers in NFC championship game. In the AFC, Joe Montana and Kansas City travel to frozen Buffalo to take on the Bills, losers of the last three Superbowls. Presented by Gary Imlach and Bob Golic.
12.15 Film: Ashik Kerib. Sergei Paradjanov's fantasy about the surreal adventures of a nomadic minstrel from Azerbaijan. Starring Yuri Mgoyan and Veronika Metonidze (1988). (English subtitles).
1.35 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:–

ANGLIA:
12.30 Food Guide. 12.55 Anglia News. 2.00 Highway to Heaven. 2.55 Wish You Were Here? 3.25 Carry On Again Doctor. (1969) 5.00 Bullseye. 5.30 Animal Country. 6.00 Anglia News on Sunday 10.55 Anglia Weather.

BORDER:
12.30 Gardener's Diary. 12.55 Border News. 2.00 Boy on a Dolphin. (1957) 4.00 Coronation Street. 5.00 Scotsport. 6.00 Border Week. 6.15 Border News.

CENTRAL:
12.30 Central Newsweek. 12.55 Central News 2.00 Take 15. 2.15 Travel Trails. 2.45 The Central Match – Live. 5.15 Bullseye. 5.45 Hit the Town. 6.15 Central News 10.55 Local Weather.

CHANNEL:
12.30 Reflections. 12.35 Rendez-Vous Dimanche. 1.00 Link. 1.10 Walden. 2.00 Let's Get On. 3.00 The Enemy Below. (1957) 4.45 Dinosaurs. 5.15 Wish You Were Here? 5.45 Animal Country. 6.15 Channel News.

GRAMPIAN:
12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Great Planes. 3.05 Highway to Heaven. 4.00 Movies, Games and Videos. 4.30 Animal Country. 5.00 Scotsport. 6.15 Grampian Headlines 10.55 Grampian Weather.

GRANADA:
12.25 Granada On Sunday. 12.55 Granada News 2.00 The Granada Match – Update. 3.00 The Granada Match – Live. 5.15 Coronation Street. 6.15 Granada News

HTV:
12.25 Meredith on Sunday. 12.55 HTV News. 2.00 HTV Newsweek. 2.30 World Cup Hall of Fame. 2.45 The West Match. 5.15 The Great Bong. 5.45 Journeyman. 6.15 HTV News. 10.55 HTV Weather.

HTV Wales as HTV except:
12.25 People. 2.00 Playback. 2.30 Soccer Sunday. 5.15 Highway to Heaven.

MERIDIAN:
12.30 Seven Days. 12.55 Meridian News. 2.00 Life Goes On. 3.00 The Enemy Below. (1957) 4.45 Dinosaurs. 5.15 Wish You Were Here? 5.45 Animal Country. 6.15 Meridian News.

SCOTTISH:
12.30 Wemyss Bay 902101. 12.55 Scotland Today. 2.00 The Guest. (1978) 3.45 Movies, Games and Videos. 4.15 Cartoon Time. 4.30 Border Raid. 5.00 Scotsport. 6.15 Scotland Today

TYNE TEES:
12.55 Tyne Tees Newsweek. 2.00 Highway to Heaven. 2.55 Athletics. (1982) 5.00 Baywatch. 5.50 Tyne Tees Weekend.

WESTCOUNTRY:
12.30 Westcountry Update. 12.55 Westcountry Weekend Latest. 2.00 Sail the World. 2.30 After the Promise. (TVM 1987) 4.20 Roadrunner. 4.50 Getaways. 5.20 Highway to Heaven. 6.15 Westcountry Weekend Latest.

YORKSHIRE:
12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 Highway to Heaven. 2.55 Athletics. (1982) 5.00 Baywatch. 5.50 Calendar News and Weather

S4C Wales as Channel 4 except:–
7.00 Early Morning. 9.00 Slot Sul: Pwt a Pardduu. 9.30 Now You're Talking. 9.55 Dennis. 12.05 Heart and Minds. 3.30 Time Team. 4.30 Ocean 2000. 5.00 Decimo Canu Dechrau Canmol. 5.30 Pobol y Cwm. 7.15 Llyn'a Ciborts. 7.30 Hel Straeon. 8.30 Pris Y Farchnad. 9.30 Newyddion. 9.25 Salth Diwrnod Ar Y Sul. 9.45 Sion Steffan. 10.05 The Road to the Superbowl.

RADIO

SATURDAY

BBC RADIO 2
6.00 Sujata Barot. 8.05 Brian Matthew. 10.00 Sally O'Sullivan. 12.00 Hayes on Saturday. 1.30 An Actor's Life for Me. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 Happily Ever After? 5.00 Cinema 2. 6.30 Nick Barraclough. 8.00 Country Crown in Concert. 7.00 Thicker Than Water. 7.30 The Latin Reunion. 9.30 David Jacobs. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Charles Nove. 4.00 Sujata Barot.

BBC RADIO 3
6.55 Weather.
7.00 Record Review, Bach, Berwald, Liszt, Kodály, Handel, Prokofiev, Telemann.
9.00 Building a Library: Mahler's Symphony No 9, by Bernard Keeffe.
10.10 Record Release. Boccherini, Clerambault, F Couperin, Rameau, Britten.
12.00 Spirit of the Age. A film of organ builders.
1.00 News.
1.05 Selected Posts. Verse by TS Eliot.
1.20 Vintage Years. Profile of Leopold Stokowski.
3.30 Sons. John Tavener.
5.00 Jazz Record Requests.
5.45 Music Matters. A profile of composer Joaquin Desprez.
6.30 Cruelt.
6.55 Live from the Met.

Strauss's one-act opera Elektra.
9.00 Studio Three: Poorah. By Snoo Wilson.
9.55 Sons. John Tavener.
11.25 Outside in Festival.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
6.55 Weather.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 From Our Own Correspondent.
12.00 Money Box.
12.25 Just a Minute.
12.55 Weather.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Look Back in Anger. By John Osborne.
4.00 Erin Through the Mists of Time.
4.30 Science Now.
5.00 Taking the Medicine.
5.40 View from the Fish Queue.
6.00 News and Sports.
6.25 Week Ending.
6.50 The Locker Room.
7.20 Kaleidoscope. Behind the scenes of Alan Ayckbourn's

Communicating Doors.
7.50 Saturday Night Theatre: Between Two Worlds. Political thriller, by William Stanton.
9.20 Music in Mind.
9.50 Ten to Ten. A reading, hymn and reflection, led by Father Michael Child.
10.00 News.
10.15 Quote Unquote.
10.45 Testing Times. Veterinary work.
11.00 Mismatched in Music. With cellist Heinrich Schiff.
11.30 Fear on Four. Playing God, by John Graham.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5
6.00 World Service.
6.30 Weekend Edition.
8.30 Get Set.
10.30 Secret Agent X-9.
11.00 Go!
12.00 Sport on Five.
6.05 Six-O-Six.
7.00 Green Dragon.
7.30 Afropop Worldwide.
8.30 La Top.
9.30 The Green Hornet.
10.15 The Way Out.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times GMT:

6.00 News; British News; The World Today. 6.30 Europe Today. 7.00 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith; A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports. 10.00 Printer's Devil. 10.01 Jazz Now and Then. 10.15 Letter from America. 10.30 Waveguide. 10.40 Book Choice. 10.45 From the Weeklies. 11.00 Newsdesk. 11.30 BBC English. 11.45 Mittagsmagazin; News in German. 12.00 News; Words of Faith; Multitrack Three. 12.45 Sports. 1.00 Newshour. 2.00 News; John Peel. 2.30 Sportsworld. 4.00 News; BBC English. 4.30 News; Aktuell. 5.00 News; Sportsworld. 5.30 BBC English. 6.00 Newsdesk. 6.30 Heute Aktuell. 7.00 Nachrichten. 7.30 Weekend Feature. 8.00 News; Words of Faith; Personal View. 8.30 Play of the Week: Take Four. The Asking. 9.00 Newshour. 10.00 News; British News; Meridian. 10.45 Sports. 11.00 News; Words of Faith; Book Choice; A Jolly Good Show. 12.00 Newsdesk. 12.30 The John Dunn Show. 1.00 News. 1.01 Play of the Week: Laura Singer. 2.00 Newsdesk. 2.30 Way Out West. 3.00 News; British News; Sports. 3.30 From Our Own Correspondent. 3.50 Write On. 4.00 News; Alexis Korner's Rhythm 'n' Blues. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 Michael Aspel. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 The Music of Bert Kaempfert. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Arts Programme. 12.05 Steve Madden. 3.00 Alex Lester.

BBC RADIO 3
6.55 Weather.
7.00 Sacred and Profane. Ravel, Dvorak, Bach.
9.00 Brian Kay's Sunday Morning.
12.15 Music Matters. A profile of composer Josquin Desprez.
1.00 News.
1.05 From the BBC Proms 1993. Mendelssohn, Sibelius, Rachmaninov, Kodály.
2.40 Schubert and Vorisek.
3.45 Making Waves. With the curator of the National Gallery's Claude exhibition.
4.30 Sons. John Tavener.
4.30 John Lill. Beethoven and Rachmaninov.
7.30 Sunday Play: Epitaph for George Dillon. By John Osborne and Anthony Creighton.
9.30 Sons. John Tavener.
11.15 Choir Works. Honegger.
12.30 News.

BBC RADIO 4
6.00 News

6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 Cliff Richard. On behalf of drug abuse and Aids prevention schemes.
9.00 News.
9.10 Sunday Papers.
9.15 Letter From America.
9.30 Morning Service.
10.15 The Archers.
11.15 Mediumwave.
11.45 Four Corners.
12.15 Desert Island Discs. With playwright Willy Russell.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: Waverley. 7.00 episode, by Sir Walter Scott.
3.30 Pick of the Week.
4.15 Inside the New Chili Service.
5.00 John Cole's English Journey. Coventry.
5.30 Poetry Please! With poet and biographer Ian Hamilton.
6.00 Six O'Clock News.
6.15 Keeping the Faith.
6.30 Due to the Indisposition. Michael Bevis meets theatrical understudies.
7.00 The Parts.
7.30 Eureka. The connection between smoking and cancer.
8.00 Dangerous to Know. By Michael and Mollie Bakewell.
8.30 Believing in Britain. Creation myths.

9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 With Great Pleasure.
11.00 In Committee. Current issues.
11.30 Seeds of Faith.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As BBC World Service.

BBC RADIO 5
6.00 World Service.
6.30 Weekend Edition.
8.30 Captain Kidd and the First Fifteen.
10.00 Johnnie Walker.
11.30 Fantasy Football League.
12.30 Simon Fanshawe's Sunday Brunch.
2.00 A Century Remembered.
2.30 Over the Moon, Sick as a Parrot.
3.00 Sunday Sport.
6.00 Labour of Love.
6.30 Education Matters.
7.15 A Family Learns Spanish.
7.45 Italianissimo II.
8.15 Language Live.
9.30 Hair in the Gate.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ

(463m) at these times GMT:
6.00 News; British News; Letter From America. 6.30 Jazz For The Asking. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Play On Record. 9.00 News; World Business Review. 9.15 Short Story. 9.30 BBC English. 10.00 Folk Routes. 9.45 Sports. 10.00 News; Concert Hall. 4.00 News; British News; BBC English. 4.30 News in German. 5.00 News; Words of Faith; Play On Record. 9.00 News; World Business Review. 9.15 Sports. 10.00 Folk Routes. 9.45 Sports. 10.00 News; Science in Action. 10.30 In Praise of God. 11.00 Newsdesk. 11.30 BBC English. 11.45 News and Press Review in German.

12.00 News; Play of the Week: Laura Singer. 1.00 Newshour. 2.00 News; What Makes Them Run? 2.30 Anything Goes. 3.00 News; Concert Hall. 4.00 News; British News; BBC English. 4.30 News in German. 5.00 News; Words of Faith; Folk Routes. 6.30 Europe Today. 9.00 Newshour. 10.00 News; British News; Meridian. 10.45 Sports. 11.00 News; World Business Review; Ray On Record.

12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News. Opera of the Week. 1.45 Sharp Talents. 2.00 Newsdesk. 2.30 Composer Of The Month: Sergei Prokofiev. 3.00 News; British News; Sports. 3.30 Anything Goes. 4.00 News; Unconsidered Trifles. 4.30 BBC English. 4.45 News and Press Review in German.

CHESS

Michael Adams resumes his FIDE candidates match against Boris Gelfand this afternoon $1\frac{1}{2}$-$2\frac{1}{2}$ down at half way, after the Belarussian broke through by a king's-side attack to win Thursday's fourth game. Earlier, the Cornish 22-year old missed chances to take the lead in the very first game; then blundered and handed the advantage to Gelfand who was so relieved to escape that he quickly agreed a draw.

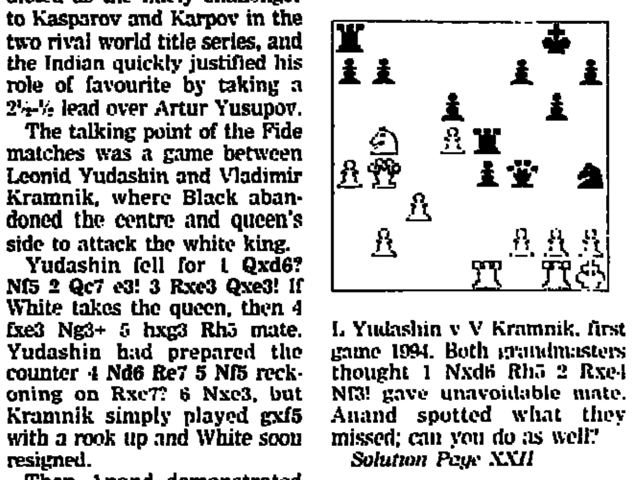
Vishy Anand is widely predicted as the likely challenger to Kasparov and Karpov in the two rival world title series, and the Indian quickly justified his role of favourite by taking a $2\frac{1}{2}$-$\frac{1}{2}$ lead over Artur Yusupov.

The talking point of the Fide matches was a game between Leonid Yudashin and Vladimir Kramnik, where Black abandoned the centre and queen's side to attack the white king.

Yudashin fell for 1 Qxd6? Nf5 2 Qc7 e3! 3 Rxe3 Qxe3! If White takes the queen, then 4 fxe3 Ng3+ 5 hxg3 Rh5 mate. Yudashin had prepared the counter 4 Nd6 Re7 5 Nf5 reckoning on Rxe7? 6 Nxe3, but Kramnik simply played gxf5 with a rook up and White soon resigned.

Then Anand demonstrated that Kramnik's planned win against 1 Nxd6 was fatally flawed (*see below*). Next day, Kramnik and Yudashin drew their second game quickly, returned to their game one post-mortem, and found that the best line is 1 Nxd6! a5! 2 Qd4 (not 2 Qxb7 Rf8 3 Qc7 Nf30 Rh5 3 Rxe3 Qxd6 4 Rxh4 Rxh4 5 Qxh4 Qxd5 when Black is a pawn down but draws with the threat Qb3. It shows how even simple positions can defeat world class players.

No 1005



L Yudashin v V Kramnik, first game 1994. Both grandmasters thought 1 Nxd6 Rh5 2 Rxe4 Nf3! gave unavoidable mate. Anand spotted what they missed; can you do as well?

Solution Page XXII

Leonard Barden

BRIDGE

There are many forms of avoidance, but in today's hand from rubber bridge we see avoidance preceding the taking of a discard to ensure it is the right one:

	N ♠ Q J 9 4 ♥ K 7 3 ♦ Q 6 2 ♣ A 7 5	
W ♠ 7 ♥ J 4 ♦ A 10 9 3 ♣ K Q J 10 8 6 2		E ♠ 6 ♥ Q 10 9 5 ♦ J 8 5 4 ♣ 9 8 4 3
	S ♠ A K 10 8 5 3 2 ♥ A 8 6 2 ♦ K 7 ♣	

With both sides vulnerable South dealt and opened the bidding with one spade. West came in with two clubs, and North raised to four spades. Sensing a slam, the opener rebid five hearts, North said six clubs – not what South wanted to hear – but with the diamond king in his hand, South was happy to bid six spades, which closed the auction.

West opened with the club king, declarer won with dummy's ace, discarding a heart from hand, and drew trumps with the ace of spades. He led a diamond to the table, and the queen won. But South could not avoid losing a heart and a diamond and went one down.

The declarer missed the winning line. Let us replay the hand, and see whether we can do better.

When West leads the club king, we do not take with dummy's ace, but ruff in hand. We decide that for his overcall West is likely to hold the diamond ace. If this is so, we see the winning line is avoidance.

After draw trumps, we lead our diamond seven, West must duck – otherwise he will give us two tricks in the suit – and we use the ace of clubs not to dispose of a heart, which is no help at all, but to discard our king of diamond. Now we claim our contract, conceding one heart trick.

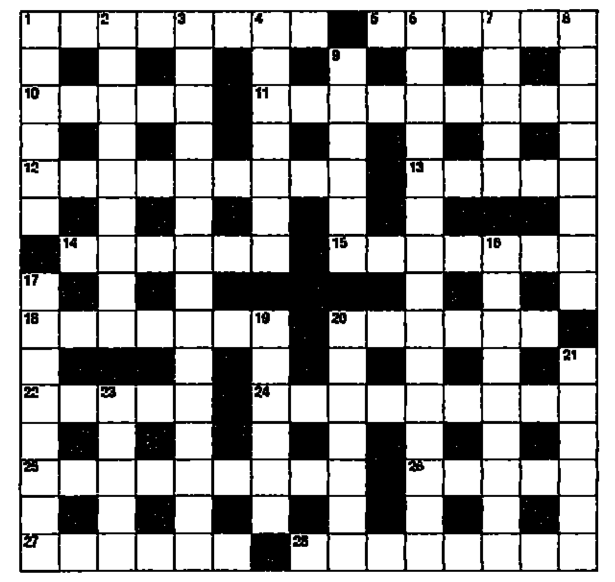
Pretty to watch.

E P C Cotter

CROSSWORD

No. 8,360 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday February 2, marked Crossword 8,360 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday February 5.



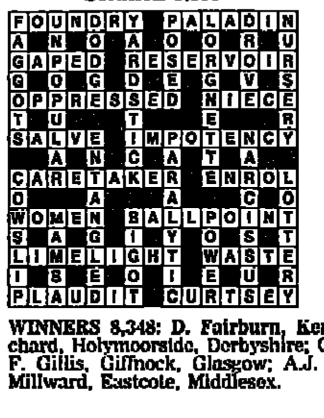
Name........

Address........

ACROSS
1 Study of power swayed by many Criminal Investigation Departments (5)
5 Tibetan from Nepal was her parent (6)
10 A large part of the Bible displays prejudice (5)
11 Squander favourite sovereign raised before leaving port (4,5)
12 Put fat underground and put lumps inside? (9)
13 Aroma nothing to do with ancient city (5)
14 Mother to request rich fabric (6)
15 Compositions with a little one in Notts (7)
18 Having got permission, everyone was in debt (7)
20 Go backwards to get a pension! (6)
22 Frequent, like a ghost? (5)
24 Children's game giving flavour to beer and whisky (9)
25 Roman poet gets money for clothes back (9)
26 Giant pheasant producing sugar (5)
27 Children's complaint gets the bird (6)
28 Incomplete echo during cooking of Melba sauce (8)

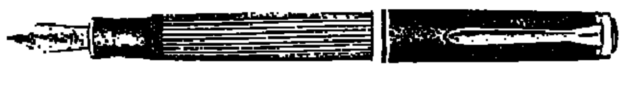
DOWN
1 Makin' a soundtrack to put on leather (6)
2 End of day, a funny thing before autumn (9)
3 Something to see of importance from the box? (6,7)
4 Eccentric entertains sailor where transport can be had (3,4)
6 Pachyderm, one having fur, in weird chart taken by doctors (11,4)
7 Proportion of the beast I love? (5)
8 Parachute deliveries when the wind goes down? (3-5)
9 Fire and water catching flies (6)
16 Plan to put layers on stone (9)
17 Whale of a quantity following unfinished hiding-place (8)
19 To be sick, had climbed to get a flower (6)
20 Start to receive (I after E) on answer (7)
21 Tool for a cheat? (6)
23 Sore place in a beautiful ceremony (5)

Solution 8,359



Solution 8,348

WINNERS 8,348: D. Fairburn, Kenilworth, Warwicks; Lesley Blanchard, Holymoorside, Derbyshire; C.J. Morley, Kowloon, Hong Kong; F. Gillis, Giffnock, Glasgow; A.J. Lawrence, Seaford, Sussex; M.B. Millward, Eastcote, Middlesex.



Complex game in the souk

***Dominic Lawson** goes looking for a chess set and falls for the carpet gambit*

Abdullah, the handsome young major-domo at our loaned villa in Marrakesh, shook his head when we told him we wanted to visit the souk. "I would never go there," he said. "As foreigners you will be pestered until you take on a guide. Then he will take you only to the shops run by his contacts. It's all side-deals and hidden commissions."

"Don't worry," I said, "we can take care of ourselves. And my wife runs a store in London. She knows all about profit margins."

"Marrakesh is not London," sighed Abdullah, "but all right, I'll drive you there."

Of those would-be guides who pestered us at the entrance to the souk, we took pity on one who rested on a crutch. Once inside the market we soon realised that the main purpose of the crutch was to deliver stunning blows to other guides who wanted to poach us.

"What you wanna buy?" asked our guide, panting from the effort of repeatedly swinging his crutch above the perpendicular.

"A chess set," I said.

"Another chess set," corrected my wife.

"I take you to the best place," said our guide, and, hobbling at a startling pace, took us on a route which seemed to double back on itself several times. Finally we arrived, possibly next door to where we had started, at a shop which indeed, seemed to contain nothing but chess sets. They were all of identical design, a reminder that it is not just observance of tradition, but also fantastic lack of imagination, which ensures that the Islamic world retains its medieval integrity.

"These chess sets are all the same," I said to the shopkeeper.

"No," he replied, "they are in many different sizes."

"They are all too small," I said, irritably.

Then I heard my wife's shout from the basement of the shop. "Come and look at this!"

Downstairs was the biggest chess set I had ever seen, the pieces sitting fatly on a board which must have been at least a yard square.

"Not too small?" inquired the *shop owner.*

"Not too small," I said. The man named an exorbitant price.

Then I noticed a big crack in the board. *"It can be repaired,"* said the shopkeeper.

"No," said my wife, in the tone of voice I imagine she uses with manufacturers bringing in faulty goods. "Make another one exactly this size, and we will come back in a week to pick it up."

A week later we arrived back at the shop. No giant chess set. The owner wrung his hands. "You see sir, we had your new set in the window, when a member of the royal family walked by. He wanted it. And in this country, when a member of the royal family wants something, he can just take it. Do you have such problems with the royal family in your country?"

Not waiting for my reply, he suddenly brightened. "So we hid your chess set. And now I will take you to it."

Another tortuous route found us in a carpet shop. The carpet shop owner sat us down. "The chess set will be ready in half an hour," he said. "Would you like to see some carpets?"

"No," we replied in unison.

The rest you can guess. After about half an hour of noeing we finally cracked and shook hands on a deal to buy two carpets. At *exactly* that moment, as the carpet man's hand gripped mine, two colleagues staggered into the room bearing the missing chess board.

"Oh, what a surprise," said my wife.

At the door of the shop, an incredibly old looking man waited, attached to a barrow on to which our chess board, pieces and carpets were loaded. Bent low, he dragged our possessions out of the souk and towards our car. Unfortunately no such service exists at Gatwick airport: we had to drag our own booty towards and through the Red Channel of the Customs ourselves.

"What have we here?" asked the customs officer. We tried to explain. "Some of that lot attracts duty at 33 per cent," he said, finally.

"Why so much?" I asked. The customs man looked at me, amazed at the fatuity of the question. "Protectionism," he replied.

Where were you when we needed protecting, I thought. I did not say anything so tactless, of course: I hoped to do a deal.

■ *Dominic Lawson is Editor of The Spectator*

Too daily male

Michael Thompson-Noel

Is she a madwoman? Should she be drummed out of the teaching profession and flung into the Thames? Is the plague of political correctness spreading into our primary schools and warping the minds of infants?

The answers to those questions will depend of which general newspaper you read, for they relate to the case of Jane Brown, head teacher of Kingsmead primary school in the east London borough of Hackney. Brown was splashed across the newspapers this week because she had rejected an opportunity for pupils to see the ballet *Romeo and Juliet* at the Royal Opera House.

According to most reports, the sole reason for her action was that she regarded *Romeo and Juliet* as a "blatantly heterosexual love story", and that until books, films and plays reflected all forms of sexuality she was disinclined to involve her pupils in "heterosexual culture".

The first I heard of the story was on TV on Wednesday. But the reports sounded so galumphingly one-sided that on Thursday I bought a copy of every UK national newspaper, to see whether the story was more complicated than it sounded on TV.

It *was*, and the results of my survey reinforced my belief that the lower end of the UK newspaper market is capable of such viciousness that it ought to be subjected to a penal rate of VAT - the proceeds to be given to the quality newspapers to subsidise their efforts at serious reporting.

HAWKS & HANDSAWS

I divided my pile of newspapers into three categories: qualities (*Times, Telegraph, Guardian, Independent*); tabloids (*Express, Mail, Today*) and testosteroids (produced by inadequates for the enjoyment of inadequates: *Sun, Mirror, Star*).

With two minor exceptions, the tabloids and testosteroids reported the story as one thing only: an example of loony-left philistinism and creeping political correctness. Said the *Star*: "A loony school head rejected cut-price tickets for her pupils to see *Romeo and Juliet* - because it WASN'T a gay love story." The *Mirror's* headline: "Head Bans 'Hetero' *Romeo and Juliet*." The *Sun's*: "Romeo, Romeo, Where Art Thou Homo?"

Only in the *Sun* and *Today* was an inkling provided that there may have been other reasons why the head teacher felt disinclined to send her tots to *Romeo and Juliet*.

To discover what those were, you had to turn to the qualities. The *Independent's* story was stumpy and poor – almost as one-sided as the tabs' and the testos'. Only in the *Telegraph* and *Guardian* was the complexity of the story allowed to show through.

Said the *Telegraph*: "While Hackney leaders, who have been trying to soften the council's left-wing image, were furious, Ms Brown's colleagues defended her. One said: 'She is not trying to promote homosexuality. All she was trying to do was to prevent the children being fed a constant diet of gang fights and killing. The school is on the edge of a notorious estate and showing children yet more male stereotyping, feuding and knives is no joke."

Perhaps, at day's end, opinion will settle in favour of John McCafferty, Hackney council's leader – he is also a teacher of English – who was quoted as calling Brown an "irresponsible individual" guilty of an "absurd, narrow-minded Californian concept of political correctness".

On Thursday, the head teacher said she was "dismayed at the distress I have caused to parents, staff and pupils by the unwelcome media attention which has focused on the school." And she told a Hackney council inquiry that her action had been "wholly inappropriate".

But by then the affair had been clouded by the media's rush to judgment. Brown sounds to me like someone trying to perform a difficult job with sensitivity – a victim of media shafting.

Does it matter? Yes, it does. Include the *FT*, and the UK-qualities sold 2,432,993 copies last month. Combined, the tabloids and testosteroids sold 10,493,306 copies. The tabs and the testos outsell the qualities by 4.31:1. If you ask me, a lot of the blame for the intolerance and viciousness and ignorance and stupidity that we notice all around us derives from that dreadful ratio.

The government must act. A simple little VAT rate – 33 per cent, perhaps a touch more – on the tabs and the testos would suffice. This is a challenge for Michael Portillo: a chance to show us he is more than a mouth.

Ashley Ashwood

Private View/**Christian Tyler**

The millionaire alchemist

Choosing a career can be tough if you are born rich, and ashamed of it. So George Ortiz was at a loss to know what to do when the family business was nationalised.

Since the family business was tin-mining in Bolivia and his mother's father was Simon Patino, one of the richest men in the world, young George found himself with several millions to deal with. He decided to make a career out of a hobby.

He became a collector of antiquities, transmuting tin into bronze, copper and gold. Today he is acknowledged as having reached the top of his profession: the cream of his collection, shown last year in St Petersburg and Moscow, this week went on display at the Royal Academy in London.

There I found him, a slight figure, frenetic and wide-eyed, scuttling between his beautiful possessions like a nervous hostess before a dinner party.

Collecting is an odd sort of job, I thought, and collectors odd sort of people. I said: you have described it as a kind of odyssey.

"Certainly," he replied. "And I cannot explain it. I can try to rationalise it, but it was an unconscious process, emotional, as though I'd built a work of art, as though I'd brought up a child. And suddenly it's reached maturity and I exhibit: it all comes together, it's a harmonious whole."

Is your life in this collection, or is it a hobby?

"That's a very interesting question. It may have been the answer to personal need. It may be a hobby. But I think it's much more than that. It's perhaps a frustration at not having been able to work in the family business."

You could have taken a job.

"I could have, yes, but I was told my responsibility and duty was to my grandfather. I should have had the courage, perhaps, to go out and do something else but I didn't. So the only thing I have been able to do entirely on my own has become my fortune."

Is it bad for young people to inherit a lot of money?

"If they are very well balanced, well brought up, no. But there is no doubt that adversity is the mother of progress and to be born privileged financially makes you start with a tremendous handicap."

Ortiz agreed he was paralysed by his money until he found an outlet. But is collecting a career?

"In my case, exceptionally, I think one could say it is. I think – I don't want to be pretentious – that the same way you have Mozart or Michelangelo who are gifted to create their great works, I have not that gift but a certain eye, the gift to perceive what artists have put into something."

I suggested, ungenerously, it was easy to have a good eye if you had the money to practise it. He said antiquities were not so expensive when he began and he'd had to work hard to find them. "I loved rally-driving when I was young. My dream has always been to have a Ferrari, and I've never had one my whole life because each time it's been an antiquity instead."

About 90 per cent of his wealth is tied up in the collection. "Nowadays my total capital, stocks, shares, bonds, apart from my home and the art is far less than some great fortunes have as income in one year – far, far less."

I asked about provenance, a controversial subject in the antiquities market these days. Have you ever had your fingers burned?

"Er, no. I'm very careful." Anticipating the next question, he added: "Man has always collected since time immemorial, and always will. Collections are at the basis of all our museums and all our studies of these cultures."

There's the question of authenticity...

"Oh, not in my case. I'm sure. Nobody has questioned any of my objects."

Was spending all that money on primitive objects a gesture, a statement about wealth?

"I don't know. You're psycho-analysing me now. Maybe. Maybe."

You were getting value for money but getting rid of the money, too?

"It's very possible. That's a very pertinent statement and I wouldn't argue it."

Did you feel oppressed by the wealth of your mother's family?

"Oh, I certainly suffered as a child. I was too sensitive and I felt the difference was too vast. This sounds ludicrous and people will think I'm absolutely mad but when when I was really young I was perfectly willing to contemplate that both my parents and myself be eliminated, physically irradiated, to make for a better world. Of course it was madness."

Ortiz explained that a youthful flirtation with Marxism had evaporated in the face of ideological freaks such as Pol Pot.

But there are other kinds of madness, I reflected, to which a collector might be prone. Ortiz describes his first encounters with some objects as "emotional, instantaneous, visceral". That's called falling in love, I said.

"It's like falling in love. But afterwards it's completely different." The desire faded, leaving appreciation behind.

Ortiz has written as if some objects were destined to come to him. I asked: When does appreciation turn into covetousness?

"Oh, I don't think I've ever coveted in that sense. Don't you think I have enough? I've lost two or three objects I thought I really deserved to have to nouveau-riche collectors.

"But that's life. I'm going to die soon and be separated from my objects. I get just as much appreciation out of seeing a marvellous object in a museum or even in other collections."

Aren't you possessive?

"I feel possessive in the sense I feel responsible for my objects. And I look after them as though they were my life itself – even better. I feel responsible to keep them for civilisation."

'I feel possessive in the sense I feel responsible for my objects. And I look after them as though they were my life itself – even better. I feel responsible to keep them for civilisation' – ***George Ortiz***

Where is the line between love and mania?

"Oh, I don't think I have any mania. Sadly in a way, and marvellously in a way, this exhibition is enabling me to outgrow the collection."

How do you mean?

"It's now fulfiled its mission as far as I'm concerned. I hope it fulfils its mission for the world. I hope the visitors get nourishment out of it. I hope they all find something that satisfies them, that makes them leave enriched in some way, happier..."

You can imagine living without it, or dying and leaving it behind?

"Oh, of course. I must not be attached to any of these works of art when my time comes to die."

Ortiz rhapsodizes about the spirit of the ancient Greeks which started him on his voyage. He is just as eloquent when castigating the materialism of the modern age: accumulation for the sake of status and power.

But you have been accumulating, I said.

"I'm not accumulating for accumulation's sake. I'm accumulating because I'm building up a collection that is an answer to a need and is a message."

Your gratification is involved...

"It's a personal answer to a personal need, but I wouldn't call it gratification. Not like gratifying a need to drink, or eating too much, or too much sex, but gratification in accomplishing something in the best way you can." It was the gratification felt by men like Henry Ford, or Citroen or the architect Pei. "I think mine is creativity. It carries a message."

Ortiz becomes breathless when describing the message he says his collection – his creation – is conveying to mankind: it is one of understanding, hope, dignity, responsibility, idealism, the common humanity of us all.

Other millionaires, I said, would buy a newspaper, start a foundation or a university. Yours is an unusual way to make a political point.

"It's totally unusual. But you see those others are great businessmen or entrepreneurs who have made huge fortunes and then want to do something for their name or out of idealism, or out of guilt. Or they want to have some power or influence.

"But I haven't created an empire, I haven't built up a financial dynasty. So instead of being able to paint or sculpt, perhaps, or become a politician for reasons of being uprooted... I've done this.

Did it start as a selfish exercise and only later become spiritual?

"Selfish is a little bit harsh and a little unfair but you could put it that way, yes. It certainly was centred on self, then I saw that the answer I had found to my anguish, my questioning, were the answer for all men. In other words, the answer to our problems is not with the system. It's responsibility, dignity, self-respect, respect for the other. If you don't come to peace with yourself and love yourself, you can't love anybody else."

You should have been a clergyman, perhaps.

"No, because I don't like preaching. I want to show people, but people must perceive by themselves."

Although brought up a Roman Catholic, George Ortiz is an agnostic who – unlike the authors of the figures he has collected – expects no after-life. "All gods are the invention of man in front of the anguish of death," he said. "I accept I disappear, but the future will have me in it."

He says he will not sell his collection before he dies but leave it to his four children to dispose of if they need to. All have had the best educations. At their father's urging, the three sons, George, Oliver and Nicholas, are learning to become streetwise: they have set up a store in Vilnius, Lithuania, which employs 100. The daughter, Graziella, is at university in the US.

I asked if he had made sacrifices.

"Sacrifices, no. How can one talk of sacrifice when one is as privileged and well off as I am? But in the sense of choices I've sacrificed family life, travelling, holidays, all sorts of things. You don't achieve – I don't mean to be pretentious – this degree of perfection in such an ensemble without, like Churchill said during the war, blood, sweat and tears."

What keeps you awake at night?

"Nothing."

Not people stealing from you?

"No. I don't even insure. I can't afford it. It's life. Tomorrow the plane I take can crash. I could go in a store and a terrorist bomb goes off. It's life."

Is this the attitude of a man who is not self-made – who can say 'easy come, easy go'?

"Possibly. It may relate to what you asked me about money earlier, spending it on objects. I may have..." He searched for words.

A secret distaste for wealth?

"For wealth, but not for elitism."

No place for pregnant fathers

*Even new man is superfluous at a birth. **Nigel Spivey** finds women know best*

Once there was feminism. Feminism spawned new man: such a different animal from his predecessors that he had to be called "partner" rather than "husband". New man was a thoughtful type, whose thoughts were attuned to the more refined vibrations of feminine sensibility.

It was new man who could rustle up a quiche, or a foot massage; new man who vacuumed up the mosaic of crushed foods from a toddlers' get-together; and it was, almost as a matter of logical progression, new man who became a stalwart of the maternity ward. So it is that what was exceptional 30 years ago – a proto-father assisting at the labour – has become a normal *social obligation.*

As one who had fully steeled himself to meet this obligation (having mastered, after all, the many pitfalls of shortcrust pastry), I have something to report. New man, go home. Yes, when it comes to the crunch of childbirth there is no place for a man, not even a new one.

It is women's business: it is (as they say) women's "space". The authors of the old British Medical Association booklets will be happily nodding at this. They told us so. Stick to boiling kettles or pacing along the hospital corridors with bouquets and champagne: that is what the men were ordained to do, once upon a time.

But I have some bad news for the BMA, too. Their empire of obstetrics is being seriously challenged by the same women who have rebuffed new man. The practice of delivering babies from mothers in supine positions; the use of forceps, and local anaesthetics: Caesarean sections, and other surgical interventions, such as episiotomies – all these medical techniques have been questioned or discarded by the exponents of natural birth.

Natural birth is not an entirely new philosophy. Its pioneer more than two decade ago was Michel Odent, from whose clinic at Pithiviers in central France emanated many of the non-medical strategies for women to give birth "actively", that is, to give birth whilst moving about, or exercising, or even swimming, without recourse to pain-killers (the body, according to Odent, releases its own), and without ever being treated or manipulated as a "patient" in a hospital bed.

If not novel, though, natural birth is still a dynamic philosophy. Thus as feminism gives way to post-feminism, or even neo-feminism, and women find that there are some ancient female preserves from which they would rather not be emancipated, so the definition of what counts as "natural" insofar as men are concerned is also shifting.

Those new men with an eye on the barometer of changing intellectual climates will perhaps have anticipated the eventual exclusion of men from the rituals of a natural birth. If our sophisticated lives are still subject to certain primal patterns and necessities, and if today's women should be practising how to squat and crouch like their Neolithic grandmothers, then men, too, should be obedient to the same olden protocols which kept childbirth amid an extended sorority.

As Sheila Kitzinger, one of the leading gurus of natural birth, has pointed out, the evidence from virtually all known primitive societies is that men do not take part in the delivery of children. The menfolk of the Amazonian tribes may go through some symbolically empathetic pain or drunkenness at the time of labour, but they are not in attendance. The natural state of affairs is for women to assist women.

The American psychologist Robert Bly implicitly signalled this change of attitude more widely when he urged new men to put aside their recipe books and go howling among the giant redwoods.

Iron John, Bly's mythical paradigm for what a man should be, would never have traipsed along to an ante-natal clinic, to join in those frankly rather undemanding exercises which pregnant women perform. Bly's "inner warrior" is not thereby acting with callous indifference – merely accepting that this is a territory that women know best.

As indeed they do, which is why I have been happily marginalised from the comprehensive preparations of the semi-official sisterhood currently gathered about my wife. There is enough of the new man left in me to want to be present at the nativity itself, but only for surplus moral support. I shall be of no real use on the occasion, and that is how it should be.